

*Printed in Great Britain by
The Carrelot Press Limited, London and Southampton*

LIBERAL PLAN FOR PEACE

With an Introduction by
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LONDON
VICTOR GOLLANCZ LTD
1944

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indicated in its main outlines by the Four Powers that have played a leading part in the war

It can be noted as an admirable feature in all these pages that over-assertion of principles, valuable in themselves, is strictly avoided This is particularly remarkable in the chapter concerned with commercial relations It is recognized that while every departure from free trade is in itself regrettable, to attempt to preach the pure milk of the word to the Dominions and to many foreign countries would utterly defeat the purpose of the evangelists, and perhaps permanently ruin the cause The methods by which the prevalent willingness to break down barriers may be encouraged are clearly stated and deserve careful study So do the passages relating to British agriculture, which the Conservative Party has always regarded as its special reserve Few Liberals will quarrel with the downright rejection of artificial restrictions so far as possible, while agreeing that the industry must be kept going with encouragement to the special branches of stock-breeding and *petite culture*

I hope that this book will be widely read, not only by convinced Liberals, but by the increasing number of those comprising the fluid mass of voters which at a General Election brings about a swing of the pendulum

CREWE

INTRODUCTION

THIS BOOK WILL MAKE a special appeal to the sympathy of Liberals from its association with the late Lord Meston, whose devoted service to the cause will remain in perpetual remembrance. He was not directly concerned with its authorship, but it may be taken as embodying his hopes for a future in which he knew he could have no share.

It covers the widest possible field, the greater part being naturally devoted to international relations, since for several years after hostilities have ceased we shall be conscious that despite every preoccupation with measures needed to restore normal life in this country, there can be no prospect of renewed prosperity and assured peace without reorganization, not only for the British Empire and Europe, but for the whole world.

It is most necessary and helpful to reassert Liberal principles in the widest terms, but something more is demanded if the Liberal Party is to re-emerge as an integral part of our political system.

This book, therefore, rightly defines with emphasis the application of those principles in various regions of social and economic life. It successfully avoids adhesion to the plausible doctrine that Liberals can cheerfully join in every movement that styles itself progressive, without examining the real basis of the claim. To take an extreme instance, National Socialism might contend that in some social aspects, such as abolition of class distinctions and greater equality of opportunity for the right kind of German, it is far more progressive than the old Prussian Monarchy. Hitler lately boasted that two-thirds of the officers in the Army have risen from the ranks. But everybody knows that Nazi aggression is infinitely more pernicious than Bismarckian militarism.

All readers will be attracted by examination of the proposals for the establishment of a Grand Council of Nations which would undertake many of the functions entrusted to the League of Nations, and for the working of the International Executive. The difficult question of acceptance by various nations of some limitations of sovereignty are carefully dealt with, and it is evident that the problems arising from the historical traditions and national pride of the smaller countries have been kept in mind, in view of the opinion which has been expressed in some quarters that in practice the settlement of the world will be

Liberals are not blind to the imperfections of human nature. Indeed, they have always urged that when the government is corrupt or inadequate to express the will of the people, selfish interest and wayward passion tend to become uppermost in the conduct of affairs. Liberals believe that, given an adequate framework of free institutions, there is a sufficient element of goodwill and reasonableness in the greater number of men to work those institutions effectively, and therefore join issue with the cynics who see in human imperfections a fatal barrier to progress. The framework of institutions necessary to give effect to the general will for a better order must now include certain international arrangements.

Not many people in the democratic countries would openly endorse the fascist glorification of war, as beautiful in itself. Yet there are a few who still have some sneaking sympathy with this view. It may seem a stark absurdity to men who have recently been faced with the realities of war. It is a weed only likely to spread in peacetime. It becomes dangerous when there is a substantial proportion of people who feel that their normal ambitions have been baulked. It is no accident that fascist ideas became popular in the years after 1929 when the world experienced a greater economic stagnation than had ever occurred since the Industrial Revolution. Liberals therefore regard measures against renewed depression, not only as most desirable in themselves, but also as an indispensable antidote to the recrudescence of any hankering for self-expression in war.

Enforcing Peace

In the past there has been some disagreement among peace-lovers about the best means to secure peace. To British people in the nineteenth century it might seem reasonable to secure peace for themselves by avoiding Continental entanglements and maintaining full naval supremacy on the sea routes of the world. That way is no longer open. Air war prevents isolation from the Continent, and naval supremacy over all other powers is no longer possible.

The League of Nations could be variously interpreted. Our French allies were anxious that it should have armed power to enforce its decisions, and some British people agreed with them. According to others, it was to be regarded as a mechanism for settling disputes by public discussion, arbitration and mutual accommodation, so that, if only people wished peace, they should not fail of it for lack of adequate machinery of conciliation. Had

CHAPTER I

PERMANENT PEACE

New opportunity Enforcing peace Safe method of approach
Difficulties Settlement of disputes and enforcement of order The
Police Force The British Commonwealth, the United States, Russia
and China The International Executive Disarmament and inspection
of ex-enemies Armaments Is the scheme practical?

THE FIRST AND FOREMOST of our peace aims, by comparison with which the rest are trivial, is to abolish international war from the face of the earth for evermore

It is true that the victorious Allies had this aim in 1918, and their failure has spread disillusionment. But our opportunity will be more favourable than theirs in respect of will, of power and of knowledge

Our will to peace will be more imperious, because the havoc wrought by war has been more widespread on this occasion, its violence and dangers have been extended to whole civilian populations and the disturbance to normal life entailed by waging war has been more complete. Also we have the double experience. Many thought that the last war, because unprecedented, would prove unique, and were not sufficiently alive to the danger of recurrence, they thought that one lesson would be sufficient and underrated the abiding elements of folly and perversity in human nature. Therefore their will was not sufficiently set upon taking adequate precautions

Our power is greater because between them the United Nations will have complete mastery over all five continents

Our knowledge is greater by reason of our experience between the two wars. Each failure of the League of Nations taught its own lesson. At any time during those twenty years there was knowledge enough to re-draft the Covenant on better lines, but the opportunity was gone. Now it will return

From the beginning the ideal of permanent peace has been a cardinal tenet of the Liberal faith. Liberals had the honour to uphold it unflinchingly for many decades when it was regarded as contentious and even paradoxical, not only in other countries, but also by many people in this country. It has now become part of the common creed of the United Nations. But Liberals must still be vigilant against cynicism and back-sliding.

the United Nations will have the undoubted power to enforce peace for the time being. The problem will be to consolidate and perpetuate that power. We must therefore seek to keep it in being by setting up at once the simplest possible mechanism for maintaining and directing it. We must not interpose between the United Nations and their aim of permanent peace some elaborate and untried paper constitution, since we know that constitutions often function in practice in a way quite different from that intended by their designers. We must not dissipate our power and make the future peace of the world depend on all the peoples behaving in the most enlightened and disinterested way at some future date.

The system of policing, that is of preventing acts of international violence, should be so devised that it functions silently, unobtrusively, quickly, without controversy and with deadly efficiency. It should be an unquestioned presupposition, and not therefore the focus of interest and discussion at international conferences. The proper subjects for public interest and debate, for oratory, perhaps for controversy and international sparring, are new projects of economic and social betterment. That is how the internal affairs of civilized countries are conducted, and on the international plane the same rule should apply.

Yet how different was the scene at Geneva between the wars. The work of economic and social betterment was tucked away and proceeded quietly and unobtrusively. No doubt some good was achieved, but little by comparison with what was needed to remedy the economic distempers of the time. If public opinion and the highest statesmanship had been directed to the tasks of international economic collaboration, great measures might have been carried through, which by mitigating the economic depression might have stifled warlike intentions at an early stage. Meanwhile all interest centred upon questions of security and disarmament. These matters, which should have been beyond controversy, were the subjects of all the major controversies, intrigues, excitements. The "sounding board" of Geneva reverberated to allocutions upon them. Yet nothing was achieved. Indeed, on balance harm was probably done. To the normal occasions of international friction new ones were added. It was a complete inversion of the right procedure. No time was found for those subjects where public consideration and discussion at the highest level are necessary for progress, all time was given to those subjects which are painful and wounding to national pride, and can only be effectively settled on special occasions when nations are in the mood for drastic remedies. The end of the war

we not our own excellent experience of the value of machinery for industrial conciliation? The analogy is obviously imperfect, since failure in the industrial field merely leads to a strike which is not an irreparable evil and may even be a useful safety-valve. The presupposition that all members of the League would sincerely wish peace did not prove to be fulfilled.

It is now generally agreed that peace will have to be enforced. In the maintenance of international, as of internal, order, a policeman is needed. And he must be provided with an unchallengeable power to enforce his discipline. Two things are requisite:

(i) Each nation which feels tempted to enforce its will by violence should know that it will certainly and immediately be confronted with such an overwhelming force as to remove all chance of success. And if it none the less persists in its crazy intention, the resulting "incident" should not be another "war to end war," but a skirmish in which one force so completely outmatches the other that little blood need be shed.

(ii) If a nation, having in mind this obstacle to its lawless ambition, seeks to build up such an armed force as to make the contest less unequal, it should know that its proceedings will be detected and forcibly checked at an early stage. There should not be a "preventive war" but a "preventive occupation" at a stage so early, that the offending power is incapable of resistance.

Can these conditions be realized?

Method of Approach

The matter is so grave, so urgent, so fraught with good or evil for ourselves and our children, that we must proceed very warily and cautiously. As we advance towards our aim, we must be sure that each foothold is secure. We must use, as far as we can, well-trying and trustworthy tools.

This does not mean that at the peace we are to fight shy of bold, new and far-reaching experiments. Quite the contrary. The tasks of peace will be many-sided and each task has its appropriate method of approach. In building a more prosperous and progressive economic world order, there will be great scope for all manner of experiments, administrative as well as scientific. We should aim high and, if we sometimes fail, this should but whet our appetite for further projects.

But in the matter of keeping the peace, that cardinal and rudimentary necessity, which lies at the base of all other good works, we must not take avoidable risks. At the end of the war

arbitration and mediation are appropriate Nations will naturally be reluctant to bind themselves to accept international awards It will be necessary, therefore, and also right, to lay down most careful and elaborate methods, ensuring the fullest possible deliberation, and safeguarding rights and vital interests to the greatest possible degree The procedure is bound to be, and often should be, protracted.

The prevention of violence, on the other hand, requires very swift action In modern times much may be done within twenty-four hours The policing authority must be able and authorized to act without delay

It must be supposed that the United Nations will establish some new international body, which for convenience we may call the Grand Council of the United Nations It will be within its scope to deal, not only with planning the world economic order, but also with political questions including the settlement of disputes The various forms of arbitration machinery will be under its ægis, from time to time the settlement of disputes may be governed, not only by judicial considerations, but also by political expediency. The numerous functions of the Grand Council will be discussed later

As well as the Grand Council there should be an International Executive entrusted with the policing duties Now, however the constitution of the Grand Council is devised, whether voting is unanimous or by majority, however the voting rights are apportioned among the larger and smaller nations, however its power is delegated to various committees—and these are all matters of constitutional experiment and therefore uncertain result—it seems impossible to have absolute and unshakable confidence that it will authorize policing action within twenty-four hours on every occasion Apart from vacillations due to the self-interest of powers, it may favour delay for the sake of appeasement

There is much to be said, consequently, for making the International Executive derive its authority from the Peace Treaty itself Its instructions should be simple—to prevent violence If a frontier is violated, it must at once be restored If violence occurs in a region where rights are in doubt, it must be occupied by the International Police pending settlement If an act of violence occurs on sea or over the sea, sharp measures of retaliation must be taken without delay and whatever steps are necessary to protect the craft of the power attacked

The International Executive should be empowered to act without waiting for adjudication on the rights and wrongs of the matter Pure policing action should not be dependent upon

will be such an occasion, and it is essential that use should be made of it to put the method of international policing on a permanent and workable basis

Difficulties

In devising such machinery careful account must be taken of the limitations under which we work

1 Every nation is reluctant to surrender its sovran rights, yet some surrender will be necessary. It is important to plan matters so that the surrender required is the least possible consistent with the maintenance of peace. It would be unwise to put forward an ambitious plan which required for its essential working a large infringement of national rights, there would be danger that it might be whittled down at the eleventh hour and, thus emasculated, be ineffective

2 No nation wishes to undertake large commitments which may later involve sacrifices of blood and treasure for causes which it may deem unrelated to its vital interests. No doubt many have learnt the lesson that peace is indivisible. Yet it would be unwise to subject their newly acquired wisdom to too great a strain

3 In order that nations may have confidence, which is so necessary for a sense of security, they must have a deep conviction that pledges will be honoured and that the machinery devised for maintaining peace will function at a crisis as planned in advance. Faith in pledges has been sadly disturbed by the recent behaviour of the aggressor powers. It must unhappily be admitted that the peace-loving powers have also contributed to the undermining of confidence by interpreting their commitments on various occasions in a way which gave them least immediate trouble rather than with a view to more distant dangers and the underlying intentions of the instruments by which they were bound. It is important therefore that the commitments asked of each nation shall not be so extensive as to make other nations doubtful whether in the event they will be honoured in the spirit as well as the letter

Settlement of Disputes and Enforcement of Order

A solution of many difficulties may prove to lie in rather rigid separation between the machinery for enforcing order and the machinery for settling disputes

Disputes are bound to occur from time to time, and it is an essential part of an international system that there should be a regular procedure for securing a peaceful settlement. Methods of

would also be at the disposal of the Combined Chiefs of Staff, but they should only be required to be stationed and operate within a certain radius of their home country to be defined in the Peace Treaty. Should the International Executive fail in its tasks and a major incident arise, national governments would be expected to go further in assisting to defeat an aggressor, such a failure would, however, bring the matter to the Grand Council which could only call for wider assistance after constitutional procedure in which the rights of each nation would be adequately safeguarded.

National governments might regard the forces at the disposal of the International Executive as in a certain sense immobilized. But as the main problem of their own security would be solved, this should not disturb them. Furthermore, if the international system should break down—a defeatist hypothesis, which none the less national governments are bound to consider—their own forces would be available in full strength under their own officers and discipline, and could be recalled or redispersed for the defence of their own country. Thus the plan to use separate national forces rather than mixed forces for the work of international policing has a treble advantage: it means using a tried rather than an untried weapon, it would allay the anxieties of national governments, which will still think to some extent on national lines, and thus make the scheme more likely to win their acceptance, and it would enable them to regard the forces under the International Executive as a reserve of last resort for their own defence, should the international system break down, and thus relieve them of the feeling that they ought to create additional private armaments of their own.

Should the offerings of forces by the national governments be insufficient to equip the International Executive for its duties, it could call upon the United Nations to make supplementary contributions on a quota system based on an index of their national income. There would be an International Statistical Office in quite a different part of the international machine, charged with the duty of keeping indices of national incomes always up to date.

The International Executive would require to have also at its disposal naval bases, aerodromes and quarters for land forces in all parts of the globe. Where the power assigned with patrol duties in a particular region had bases of its own, there need be no special arrangements. Where this was not so, bases could be leased to the International Executive. Nations would be required to furnish such bases. Since these would be used to defend their

a vote, whether unanimous or by majority, in the Grand Council. In this way order would be maintained without prejudice to the rights of each nation to have the fullest hearing for its point of view and the most elaborate safeguards against international decisions being taken precipitately on matters affecting its vital interests. The International Executive should make a report on its activities to the Grand Council annually and after any incident. Nothing should be laid down with regard to voting on its Governing Board, voting is an inappropriate idea. The members would be collectively responsible for maintaining order, the body would be an executive in the strict sense. It might occasionally use discretion as to whether an act of violence had to be met by violence, just as a policeman may decide that he can end a street brawl without physical intervention. The mere appearance of a bevy of police on the spot may be sufficient. But the executive would be responsible for insuring that the trivial incident did not develop into something more serious.

The Police Force

What force would be at the disposal of the International Executive? One idea is to constitute a strictly international force with mixed personnel. This would be an interesting experiment, and it might be worth attempting. But it would be an untried experiment and would not command full confidence, if brought into being, such a force must be regarded as subsidiary in the first instance. Primary reliance must be placed on the armed forces of the United Nations themselves.

There should be a Combined Chiefs of Staff organization which would report from time to time to the International Executive on the adequacy of the forces at its disposal to fulfil the tasks assigned under the Peace Treaty and to deal with any "incident" without difficulties. Plans should be in readiness and kept up to date for directing sufficient force to any point at short notice.

The United Nations would be called upon to state what forces they were willing to make available for use by the Combined Chiefs of Staff organization. The forces would retain their national discipline and remain under the command of their own officers with allegiance due to the Head of their own State. With regard to air and sea units, the national governments would be required to station them in various parts of the globe in accordance with the directions of the Combined Chiefs of Staff, but they would be free to relieve and replace units at their own discretion and deal with all matters of internal discipline. Land forces

was and never could be achieved. So long as the contribution of each nation to security is in proportion to her income—and how otherwise can matters be arranged?—it is impossible in theory, as well as in practice, to have available a decisively superior force against the three or four largest members of the comity of nations.

The fact of the matter is that the great opportunity for securing peace, which will occur at the conclusion of this war, arises from the fact that these four nations are peace-loving. If they were not peace-loving there would be no great opportunity and nothing to congratulate ourselves upon. If any one of them cherishes secret designs of aggression at some future date, then no constitutional plan, no treaty, no arrangement set up by treaty and no international police force however devised can prevent another war. Our arrangements will depend on the willingness of the four powers to keep the peace.

No doubt some formal shape should be given to this willingness. They should agree to sign an instrument of the nature of the Kellogg Pact, totally renouncing war as an instrument of policy and agreeing to submit disputes in the last resort to international mediation or arbitration. In the event of one power breaking the pact and refusing to submit to the agreed procedure for arbitration, the other three powers would be pledged to come together for the purpose of joint action. It would be their explicit duty under the pact to help each other in doing whatever was best fitted to maintain peace if possible, subject to their duty to defend the integrity of all other nations against aggression. In the pursuit of these aims they would be entitled and bound to take whatever political and economic measures seemed most expedient, including, if necessary, declaration of war against the offending power. Following on a declaration of war by the three powers, the International Executive should be under obligation to put its resources at their disposal and the other United Nations would be expected to declare war. Thus any one of the four great nations, although not confronted by a policeman with immediate overwhelming striking power, would be faced with a very considerable deterrent against the violation of peace.

To summarize, our proposals are

(1) That there should be an International Executive fortified by a Combined Chiefs of Staff organization having sufficient force to overwhelm with decisive and immediate superiority any violator of the peace, other than one of the four great nations, and deriving from the Peace Treaty a mandate to use this force for maintaining order without further reference;

territories against aggression, it would be unreasonable in them to look askance on this requirement. Indeed it is believed that peace-loving nations are already thinking in terms of such tangible measures of security.

The British Commonwealth, the United States, Russia and China

It would be the duty of the Combined Chiefs of Staff to report to the International Executive from time to time on the adequacy of the armed forces to deal with all possible incidents on terms of overwhelming strength. Their command of sea and air bases should enable them to concentrate large forces upon any point with speed. The principle of overwhelming strength is important, since this alone will give nations the sense of security they need and exorcize the idea of a long succession of "wars to end war."

Unhappily, there are necessary limitations to this principle. It would be quite impossible, for instance, for the International Executive to arrange a plan by which the British Commonwealth, if she happened to be the transgressor, could be met by an overwhelmingly superior force in any part of the globe. In order to give reality, and thereby a sense of security, to the system, it is necessary to limit the responsibilities of the International Executive by removing from its purview those powers whom it can never hope to overmatch with decisive superiority. These may be taken to be the British Commonwealth, the United States, Russia and China. A different method is required for dealing with these powers. Part of the difficulties of the League of Nations was due to its not being able to cater differently for the threat to peace by those powers which could easily be controlled and those powers which, if they really meant business, could only be curbed by another major war. Germany would have to be included in the list of exceptions were she not destined for a considerable period to have a régime of complete disarmament and inspection.

Those whose minds crave above all for tidiness may regret the unsymmetrical feature of this plan. Unhappily, it springs inevitably from the nature of things. In a world in which no one nation possessed more than a hundredth part or even a twentieth part of the war potential in the world, it would be possible to have a completely symmetrical plan in which all were equally powerless in the face of a policeman. To try to make a police force which could be decisively superior on the spot to, say, the United States, or to Russia, in terms of the appropriate weapons, would be to embark on a mad race of armaments in which the goal never

the present war and are able by their independent judgment to exert a restraining influence on the professional demands of their advisers. If these demands fall short of the forces voluntarily placed at the disposal of the Executive, no difficulty will arise. Should further contributions be required, it may be desirable to submit the matter to the governments of the eight appointing nations. A balance will have to be kept between the professional tendency to exaggerated precaution and the danger to peace resulting from misplaced economy or careless levity. The Grand Council should not be troubled with such matters. It will be concentrating on the arts of peace, on economic collaboration, peaceful change, mediation in disputes, it should be fostering sentiments of mutual goodwill. Haggles over policing problems would tend to vitiate the atmosphere.

Disarmament and Inspection of Ex-Enemies

Germany, Italy and Japan should be totally disarmed. This is the unilateral provision already embodied in the Atlantic Charter (Art 8).

Liberals would wish to see a regeneration of our enemies and their eventual re-admission to the comity of free peoples on the basis of full equality. But the time is not yet. The early experiments in friendly co-operation should be in the tasks of international economic planning and technological development, where full scope may be given to their special talents. The general question of the ultimate future of the ex-enemies is discussed in Chapter VI.

To make the disarmament provisions effective and give the world that sense of political security which is so much needed as the condition for economic as well as political progress, continuous inspection is essential. This task would be assigned by the Peace Treaty to the International Executive. If it detected any breach of law the International Executive would report the matter to the Grand Council.

It is not likely that an ex-enemy could put itself in a position to be a serious menace to the system of security in less than a year. This would give the Grand Council time to make representations. If at the end of a year the Inspectorate found that the illegal preparations were still proceeding, the International Executive would automatically take action by occupying all or part of the territory of the offending country.

We suggest that this term of grace should be specifically prescribed in the Peace Treaty. There is danger that the other

(ii) that the force should consist of national units voluntarily put at the disposal of the Executive by the United Nations, to be reinforced if necessary by proportionate contributions from the nations, disposed over the world on sea, air and land bases, these being either owned by the patrolling powers or leased to the Executive, and

(iii) that the four great nations should forswear the use of war as an instrument of policy, agree to submit disputes in the last resort for settlement by international machinery, and agree to join together against any one of their members who violated the pact, it being the duty of the International Executive on the declaration of war by the other three to put its resources at their disposal

The International Executive

The duties of this body would be clearly defined in the Peace Treaty. The Grand Council of the United Nations, to whom it would report, might add further duties by the unanimous vote of all the powers contributing forces, but would not normally be expected to do so.

Its constitution might be somewhat as follows. The Governing Board would consist of eight members, appointed one each by the eight powers making the largest contributions to its forces. It is probably desirable to extend the membership beyond the four great powers, since otherwise they might be thought to be accumulating special privileges beyond reason. To prevent the possibility of any foolish race of armaments to secure the eighth place, it might be well to revise the list of appointing countries only once every ten years, and to fix the list by reference to the average contribution over the last ten years rather than the current contribution. The Governing Board would be assisted by the Combined Chiefs of Staff organization and a Secretariat.

Responsibility for maintaining order must be firmly placed upon the shoulders of the Executive. It must have its plans for acting, and it must act immediately on the occurrence of any disorder. Discussion, argument, recrimination should only begin after the violence has ceased and the International Executive is in full control of the situation.

It is to be anticipated that from professional zeal the Combined Chiefs of Staff will exaggerate the amount of force needed for the discharge of the duties of the Executive. It is desirable that the eight nations represented should in the first instance appoint civilian members who have had intimate experience of running

more or less. What is adequate is a question of judgment. If people do not have confidence in the adequacy of complete military disarmament, they will be subject to anxiety as to whether the economic disarmament is sufficient. An international decision that some new development may be safely allowed or some old prohibition relaxed might revive the sense of insecurity. If the inspection is sufficiently thorough, the military disarmament should provide an adequate safeguard, and it is better that people should be taught to place complete reliance on it from the outset.

(ii) There is danger that this second line of defence might cause a relaxation in the standards of inspection of the military disarmament.

(iii) Owing to the large area open to argument in economic disarmament, it would be impossible to entrust it exclusively to the International Executive. We should thus sacrifice the great advantage of the unobtrusive and automatic working of the security clauses in the Peace Treaty. Points would constantly be coming forward for debate at the highest level. They would appear frequently as cross issues in plans for economic collaboration. That very area in which we hope to develop friendly relations and rebuild a sense of solidarity in the tasks of progress would be soiled by questions of painful association and galling to self respect. To secure a durable peace we want to expunge memories and thoughts connected with war, not to have them frequently brought forward for discussion and negotiation. That is one of the main lessons of the inter-war period.

(iv) Permanent economic disarmament would inevitably create a strong "revisionist" sentiment not merely among the ex-enemies but elsewhere also. Military rearmament can only be needed by those who have military designs, and the demand for it is not likely to evoke much sympathy. But the re-creation of industrial capacity may be needed for other reasons. Indeed so-called permanent economic disarmament would make some revision highly probable in the comparatively near future, but once this begins, no one knows where the line will be drawn. It is most important that basic security provisions should be regarded as quite unalterable, the more rigidly this rule is observed, the more tolerant it will be possible to be of "peaceful change" in all other matters. It is therefore dangerous to include among security measures a provision, the repeal of which is likely to be widely demanded.

Military disarmament must include the prohibition of the manufacture of arms. Science has now reached a stage in which

nations, who might by that time have established many friendly relations with the ex-enemies, would be unwilling to believe that these had revived any malign intentions. There might follow some reluctance to authorize so drastic a measure as occupation. There will inevitably be, and it is right that there should be, a progressive softening in the attitude of the United Nations to the ex-enemies, and a policy of appeasement may come into vogue. We have had our experience of this, since human nature does not change, we may expect the same cycle of feeling to recur. It is desirable therefore that a term of grace should be embodied in a binding agreement, after which the International Executive would be legally bound to act.

For the same reason, we suggest that, as in the case of acts of violence, the International Executive should be required to carry out its duties of preventing military re-armament without reference to any authority. This might be very useful to the Grand Council if it was pursuing a policy of conciliation. It could represent the forceful measures of the International Executive as, so to speak, an act of God, which it had no power to control. This would implement the principle that the policeman's work should be automatic and absolutely certain to take effect, and should not obtrude itself into high discussions of policy. There is a complete analogy in the domestic sphere, where a government in negotiation with strikers and anxious to secure a peaceful settlement by conciliation, would never regard it as a possible gesture of appeasement to call off the police from keeping order in accordance with the law at the factory gates.

Where the violation of the disarmament law was trivial, the International Executive would be permitted to use its discretion in the application of force, as in the case of acts of violence (cf p 15).

It is for consideration whether military disarmament, which must include prohibition of the manufacture of war materials, should be reinforced by economic disarmament which would prohibit the disarmed powers having industrial capacity that could be converted to war uses. Surplus capacity of this kind should be dismantled after the war. Whether such economic disarmament ought to be made permanent is more doubtful. At first sight it might appear that this would make assurance doubly sure that other nations would not be troubled by the re-armament of ex-enemies. There are, however, four rather strong arguments pointing in the opposite direction.

(1) While complete military disarmament can be defined with fair precision, economic disarmament is necessarily a matter of

war, which is a great moral evil as well as a material waste, and armaments which are only a material waste and not a moral evil, save in so far as they tend to cause war. The tendency of armaments to cause war operates when there are a number of wholly autonomous and self-regarding nations vying with each other. The matter is rather different if there is a system of collective security in effective operation.

At Geneva it often appeared that the disarmament problem could be solved easily, if only the security problem were solved. The wisest course may well be to rely on the establishment of security to solve the disarmament problem for us. Armaments are a burden upon the Exchequer and the standard of living of the peoples who maintain them. If security is guaranteed, the natural pressure for economy is likely to be extremely effective in reducing armaments. It is better to let these natural forces operate than to insist on parity ratios, which by drawing attention to points of national pride and prestige may stimulate peoples to maintain higher establishments than they would otherwise be willing to pay for. Indeed it may well happen that for motives of economy the United Nations will not provide sufficient arms for the International Executive to discharge its functions and that it may have to cause additional armaments to be made.

There are two principles which may, however, be applied. The first is that of publicity, which should be given the greatest prominence in all problems of international relations. The United Nations should be called upon to declare to the International Executive what establishments they propose to maintain.

The second principle may cause more heart-burning, yet it seems necessary. It will be the duty of the International Executive to have sufficient force in readiness to oppose any act of violence with an overwhelming superiority. It cannot discharge this duty unless it knows what forces it may have to oppose. It seems to follow that it should have the right of inspection.

Inspection would serve a double purpose. If a nation placed forces at the disposal of the International Executive at leased bases, inspection would follow as a matter of course. If a nation provided such forces to be stationed on its own bases or within its own territory, here again inspection would seem to be natural. The International Executive would have to make sure that the nation was really making the contribution which it professed to be making to international security. It would be a poor affair if the Executive found that it was relying on squadrons or destroyers that only existed on paper or were unfit for service. Inspection in this case would not be to prevent a nation having

the development of lethal weapons of a quite revolutionary kind is no longer an idle phantasy but has to be taken very seriously. The inspection of laboratories will therefore be necessary. The International Executive would have a staff of scientific experts, and the various nations would be required to report to it on possible dangers.

A very minute inspection may come to be necessary, and the whole territory should be covered at least once a year. Thus we may suppose that the inspectorate responsible for ex-enemies would have to number no less than, say, 20,000 persons—a small price to pay for peace.

Armaments

This is a subject to which a wholly new method of approach is desirable. The inter-war period has lessons deserving attention. Not only did the attempts to secure general disarmament fail miserably, but they were potent causes of international friction and at times blocked progress in other directions.

It is only fair to recognize that very strenuous efforts were made to reach disarmament agreements, and, if certain governments were from time to time unnecessarily obstructive, their failings in this regard probably did not exceed what we must normally expect to find in human nature. In planning for a long future it would be foolish to rely on perfect enlightenment.

The obstacles to success were partly technical. Thus, if it is agreed to have naval parity, what number of 8-inch cruisers must be regarded as equal to a given number of 6-inch cruisers? Or, again, what kind of allowance must be made for the varying strategic requirements as between a compact country and one of equal population which has widely scattered territories? The question of prestige was also an obstacle, here again we cannot expect human nature to be completely reformed. But the most important argument for caution in the present situation is that it will be necessary to ask the nations to make a number of sacrifices of interest and even of sovereignty for the sake of a better world. Some such sacrifices are quite indispensable if we are to succeed in our aims at all. It is important therefore that we should not ask for sacrifices which are not essential. We must not set our demands too high, lest in the end we get nothing and relapse into anarchy.

The ordinary peace-loving citizen regards armaments as a great evil, liberals have always voiced that sentiment and will continue to do so. It is necessary, however, to distinguish between

an absolute guarantee against each other, whom alone they fear, although they hope, as the whole world hopes, that their present friendship will endure. It might be argued, however, that if the greater powers refuse inspection, they should make a larger proportionate contribution, if the other nations wish it, to the forces of the International Executive.

Is the Scheme Practical?

To what extent does this scheme overcome the difficulties inherent in the situation? What sacrifice of sovran rights is involved? How far-reaching are the commitments required? What confidence may nations have that the system will work?

Each nation, other than the ex-enemy nations, will be allowed to maintain whatever establishments it is willing to pay for. Those forces will owe allegiance to their state. Thus each nation will have in addition to the international guarantee a force which in the last resort it can use in self-defence should the international system break down. Meanwhile the geographical disposition of those forces, or of part of them, will be at the discretion of the International Executive, subject to a limitation in the case of land forces that they shall not be sent beyond a certain radius.

A compulsory contribution to security will only be required if the voluntary contributions are insufficient. This supplementary levy of arms will be strictly adjusted to the capacity of each nation to pay for it. Whether it is likely to be needed depends primarily on how much of the burden the great powers are willing to take. Thus if the system imposes some burden on the small nations, it will have the countervailing advantage of being more democratic. The great powers may be willing to have regard to prevailing sentiments on this matter, and take more or less of the burden on themselves according to which line of action is more popular. Nations will also be required to lease bases, should their own contributions be judged inadequate for their own defence. Their own bases would also have to be made available to receive any foreign forces required for defence of their territory in the event of an incident. Such plans would surely be widely welcomed.

The nations would only be committed to allowing the blood of their citizens to be shed in the maintenance of order, either (1) when the principle of overwhelming force could be applied, in which case the bloodshed would be small, or (11) if one of the great powers violated the peace, in which case they would not have to act save in the company of the three other great powers.

arms, but to make sure that it was really contributing its assigned quota. The only doubtful case is in regard to those declared armaments which a nation might choose to maintain in addition to the forces which it put at the disposal of the Executive. In this case the inspection would be, admittedly, to ensure that there were no concealed armaments. This is the most serious inroad upon sovereignty yet proposed, it seems necessary.

Such inspection would have an important secondary advantage. For many decades a deaf ear is likely to be turned to pleas by Germany, Italy and Japan to be allowed to re-arm. The matter is different in the case of inspection. It will be represented that this is a dishonourable and humiliating servitude, implying lack of trust just at a time when in other fields, such as investment, great efforts may be made to increase mutual confidence. It would be a great advantage if it were possible to point out that inspection was by no means a discriminatory burden, since the United Nations themselves were subject to it. This argument for general inspection should weigh both with generous and suspicious minds, with the former because in fact our ex-enemies would be placed on an equal footing, with the latter because it would make the withdrawal of ex-enemy inspection in the coming period of reconciliation less probable.

It is not contemplated that the International Executive would be given the impossible task of bringing an overwhelming force into action against any of the four great powers. Consequently it would not need the right to inspect these powers to enable it to fulfil its obligations. Those powers must reach mutual accommodation on this vexed question. In the Liberal view the British Commonwealth should express unreserved willingness to lay all her establishments open to inspection, subject to the other three powers doing the same. In favour of mutual inspection by the great powers it may be argued (i) that it puts them on a precisely equal footing with the other powers and that this may smooth matters, and (ii) that it would check the growth of mutual suspicion between them. We think that these arguments should be pressed upon the other great powers, but not to the point of jeopardizing our friendly relations with them.

If the great powers refused inspection, it would not follow that the other United Nations would have a grievance on the score of unequal treatment. It must be remembered that the smaller nations will get a larger share of the benefits of the new system. They will have an absolute guarantee against violation by other smaller powers, from whom the greater powers have in any case nothing to fear. The greater powers will not and cannot be given

should lift a great load of mutual mistrust off the shoulders of humanity

No system can by itself provide an absolute guarantee against the greater powers. Solemn pledges and pacts for joint resistance to aggression undertaken, as they will be, by powers which have an honourable record for keeping faith, should go far to allay anxiety. Their bonds will be hallowed by the sacrifices of this war. Their common purpose to make a peaceful world should not die, if only we preserve a setting in which it can live, and this setting our scheme provides. The four powers will retain some sort of leadership in international affairs that will give them prestige and should satisfy their ambition. The prime motive of self-interest will incline them to peace, since they cannot hope to make a better world for themselves by going to war with a rival whom they may defeat but know they cannot eliminate.

Thus there are grounds for reasonable optimism. Some indeed might make an opposite criticism and urge that these precautions are unnecessarily elaborate, arguing that if our enemies are stripped of their arms there will not be found in the world any other nation still cherishing a taste for aggression. Two points may be urged in reply. We have to prepare for a long future. No one knows what unsuspected nation may develop aggressive intentions at a later phase. But if we do not arrange the permanent machinery and define commitments now, it will be much more difficult to persuade nations to make the necessary sacrifices later on after enjoying a period of peace. Secondly the readiness of each separate nation to disturb the peace may depend on whether the nations collectively seem to mean business in enforcing it. Thus if after the International Executive and the Combined Chiefs of Staff organization had been set up, bases leased and other complicated preparations made, we then looked out on a world steeped in the most profound peace, this would not mean that all the preparations had been unnecessary, but only that they had been completely successful. This indeed is precisely the result we want to bring about. The measure of success of a police force is the extent to which it appears to be unemployed.

The scheme is not offered as a panacea. If, when the International Executive gave an order, the national governments cabled instructions to their officers to take no cognizance, the system would no doubt break down. Rather it provides a tool which can be used to good effect, if the majority sincerely wish for peace and are not violently unreasonable. Liberals believe that these conditions will be fulfilled. They recognize human

This second commitment should be interpreted so as not to violate the unity of the British Commonwealth or the Monroe doctrine. In both cases (1) and (11) above the commitment would only cover the forces which the nations had put at the disposal of the International Executive. In the latter case, which might degenerate into a major war, it would be right for them to enter into total war against the aggressor, but before this could be required of them, the matter would have to go to the Grand Council, where they would be able to reserve their position. Each of the great powers, however, would be committed by the special pact affecting them to make total war, if necessary, in conjunction with the other two against any one of their number which committed aggression.

It is to be observed that these commitments do not involve taking sides in future disputes the rights and wrongs of which cannot be foreseen. The commitment is merely to preserve order, that is to maintain the status quo. This does not mean that there can never be any change in territorial arrangements. It only means that no change can be executed by violence or threat of violence. There can always be peaceful change, but it must be genuinely peaceful. Both parties must agree. And if it is objected that this is tantamount to freezing the existing situation, on the ground that no country would ever consent to any territorial sacrifice, the answer is that if the territorial change seems really desirable it should often be possible to offer a *quid pro quo*, such as an economic advantage, as a result of negotiation. The knowledge that no change could ever be effected by violence should make nations more and not less ready to consider reasonable proposals for peaceful change.

Inspection will involve an inroad upon sovereignty. In the case of the ex-enemies this goes without question. This is the main concession, and it is not an onerous one, that the other powers are asked to make in the interest of security. Inspection of the lesser powers will be carried out by the International Executive. Whether the four greater powers open their doors to mutual inspection should be a matter of agreement between them. The British Commonwealth should express unreserved willingness to be a party to it.

And what confidence and sense of security will emerge from all this? Precisely because the concessions and commitments involved are within reason, there should be general confidence that they will be fulfilled. If they are, absolute security against violence by any power other than one of the four greater powers will be guaranteed. This in itself is a very large advance, and

economic conflict of interests between nations, although many supposed conflicts are apparent and not real. To meet the case of a genuine conflict to which national governments have become parties, the Grand Council of the United Nations should keep in being machinery for conciliation. But its main work should be directed to reforms which yield net benefits, involving a gain for all or some and no loss to others.

In the period between the wars most nations suffered in varying degrees from economic malaise, dislocation and depression. No doubt in many cases they could have helped themselves by greater energy and initiative on the part of their governments and citizens. But very often they believed, and with good reason, that they were powerless to secure a substantial improvement so long as conditions in the outside world remained so unstable and depressed. Concerted measures were needed, but there was no adequate machinery to secure them. In each country there was naturally some disagreement about the causes of the trouble; there were no means of pooling the best opinion in all countries, there were no means of evolving a master plan for united action to get at the root of the trouble or a series of experiments with alternative plans, experience of which would have pointed to the best solution.

Soon we shall have the opportunity to change all this. Signatories of the Atlantic Charter have bound themselves to take concerted measures. It is premature to specify precisely what machinery will be required. One must begin by considering the tasks which it should perform, if only these are clear and agreed, there should be no difficulty in devising appropriate machinery. We shall refer to it for the present as the Economic Branch of the Grand Council of the United Nations. This might consist of a number of departments under a single general secretariat, or alternatively of a series of associated international institutions. It will be referred to in the singular in the following pages, for convenience and not to prejudge the question whether it ought to be a single body or a chain of semi-independent bodies.

The work of the Economic Branch may be grouped under three heads—namely, (i) the collection and diffusion of economic information, (ii) measures to secure that national governments concert and harmonize their policies and (iii) its own economic operations.

Economic Information

(1) Sufficient knowledge is essential if planning is to be sound. In this regard the Economic Section of the League of Nations

imperfections and put no trust in the idea that even this war will convert men to perfect enlightenment. They do believe that if the machinery is adequate, there will be sufficient goodwill and sufficient desire for peace to make it function as intended.

The scheme is in one sense a compromise between the ideal of a world state and the facts of national pride, touchiness and self-interest. But in another sense it is not a compromise at all. Liberals believe that the maintenance of national loyalties is a good thing in itself. We do not wish to clamp a system of rigid uniformity upon the world. We believe that some element of diversity is a necessary condition alike of freedom and of progress. But it will be hard to maintain any diversity of culture, of thought, of individual self-expression in the world, if national governments are divested of their rights and nations of their self-regard, further than is essential for the maintenance of peace.

CHAPTER II

ECONOMIC COLLABORATION—METHODS

The United Nations—an economic branch Economic information
Concerning national policies Economic operations Political im-
portance of "operations" Finance of economic branch

The United Nations—an Economic Branch

IT IS ON THE POSSIBILITIES of economic co-operation that we may build our fairest hopes for the future. In public affairs Liberals have always stood as the very special, sometimes the sole, champions of economic welfare. It is a mistake to suppose that this means laying stress on the merely material side of things or favouring any particular interest, such as finance or trade, at the expense of others. Economics stands for something much broader than that. It is concerned to secure that the available resources of a country or of the world, the raw materials, labour and skill, are used to produce the greatest possible quantity of the goods which individuals most want. An economic improvement is one which secures better use of those resources and therefore enlarges the flow of goods, and in consequence it makes it possible to improve the lives of certain people without injuring anyone else.

The significance of this for international relations is obvious. One nation cannot make a territorial acquisition without a surrender by some other nation. But an economic change may bring benefit to one nation or several nations without the other suffering any loss. This does not mean that there cannot be a

would give each other better treatment than non-members. In other cases the inducement to adhere to a code, e.g. for synchronized treatment of the trade cycle, might be found in the general "operations" of the Branch, e.g. in special measures by it to ease balance of trade difficulties during a depression.

It is of supreme importance to get the greatest possible amount of willing support for the international system. If at the outset nations are asked to deprive themselves of weapons of policy to which, whether rightly or wrongly, they attach importance, the system will be born in an atmosphere of grudging suspicion most unfavourable to whole-hearted and ambitious collaborative endeavour.

Nations are bound to be cynical in regard to the benefits which they will individually derive from the common system. If they are asked to restrict their freedom of action, they will wish to know what tangible good will accrue. Now if it is possible—and it should be possible—to make the system of collaboration yield substantial advantages *before* nations have to make large commitments limiting their freedom of policy, such commitments will be accepted with far greater readiness.

Tariff reduction is a case in point. We believe that each and every nation would gain individually from an all-round tariff reduction. But nations will certainly be doubtful and reluctant, not only because of sectional interests that will suffer, but also because they are not fundamentally convinced of the truths of political economy. Economists have recently sown doubts among intelligent people by their internecine disputes, and the ravages of depression have made it necessary to take short views, in which the advantages of Free Trade are less apparent. Full employment has become the imperious objective of policy. Governments will find it most difficult to adopt measures involving a sectional fall of employment as an immediate consequence, however great the long run advantages may be. But if it is possible for the international system to establish a régime of high demand and full employment for a considerable period, the resistance to tariff reductions will abate. Indeed, in the maturity of time tariffs may drop like ripe apples.

While therefore every effort should be made to get an all round tariff reduction when the war is over, on the lines of Article VII of the Mutual Aid Agreement, this should not be pressed to a point of alienating many nations from the whole idea of international co-operation. First consideration should be given to such positive measures for stimulating production and consumption as do not require renunciations of freedom.

has made a fine beginning Its intelligence service was of a high order of excellence, and the Economic Branch should take over its library, files and staff But ever more and more information will be needed Whatever their susceptibilities in other respects, the United Nations should agree to the principle of publicity about matters of fact This is the corner-stone of mutual confidence They should bind themselves to provide information in response to approved inquiries Where information is demanded which they lack and do not need for their own administrative purposes, the Economic Branch should bear part of the costs of collecting it

Concerting National Policies

(11) Obvious examples of concerted measures are all-round tariff reductions or synchronized Public Works in times of world depression The question at once arises in an acute form—is the Economic Branch to be given the power to require such measures, or is it merely to get the greatest measure of voluntary co-operation which it can? If the former line were taken the whole scheme would encounter the most formidable resistance at the outset, if the latter, is there not danger that the Economic Branch might degenerate into a condition of impotence like the League of Nations, which made such strenuous but vain efforts to get agreed tariff reductions?

We believe that the most hopeful mode of advance is by the idea of economic codes A number of codes could be drawn up relating to a variety of topics Each of the United Nations would be invited but not compelled to subscribe to each of the codes By subscribing to the code a nation would limit its freedom of action in certain respects defined at the outset For example a maximum level might be set to its tariffs, or it might undertake to expend simultaneously with other subscribing nations a certain percentage of its national income or of its public revenue on public works in times of depression, the time for such synchronized expenditure being specified by the Branch

The limitation to freedom involved by subscription should not be regarded as more severe than the limitation which a nation imposes on itself when it signs a trade agreement No nation need be compelled to sign, each nation could withdraw on due notice The restrictions on its liberty while adhering would be defined precisely in advance

As a rule privileges as well as obligations should flow automatically from membership Thus members of the low tariff club

forward, the wheat-producing powers would have grounds for complaint. But in fact such an occasion would not arise since the operations would be strictly governed by certain broad principles, clearly defined in the charter and accepted by members.

For the very reason that these operations would not normally impinge upon sovereignty, the greatest stress should be laid upon them. This kind of work could grow and proliferate without being held up by negotiations for the agreement of governments or giving rise to international friction. It would raise the Branch far above that level of frustration in which the League of Nations and the International Labour Office lived and had their being, individual nations might be obstructive and unprogressive, but the Branch would proceed with its great tasks.

Success in them would have a twofold effect on those policies referred to in (11) which require concerted measures by governments, it would make agreement more likely and failure to secure agreement less injurious. Psychologically governments are much more likely to stretch a point to meet the wishes of a body which is doing valuable and vital work of its own than they would be in the case of a body whose sole task was to secure such agreements. Furthermore the Branch would then be in a position to offer inducements additional to those contained in the code itself. Thus a nation refusing to adhere to a tariff code might automatically forfeit certain advantages in the distribution of the Branch's funds for public works. Of course there must be no individual discrimination against nations. But they could be divided into categories by certain clear rules according to their degree of co-operativeness in those things where co-operation is necessary, and the Branch could have scales of priority in the distribution of favours to match their categories.

Equally important is the point that positive operations by the Branch would reduce the importance of getting co-operation by the governments. When a nation will not play it usually does more harm to itself than to the rest of the world. The plan underlying the Branch's operations should have sufficient flexibility to cushion the adverse effect of nations which persisted in unneighbourly policies. It is the crowning beauty of economics that of its very nature it adapts itself to the wishes of people however unwise. If a man insists on spending money on foolish things, it does not refuse to cater for his tastes. So in the case of nations; if national governments have certain foolish predilections, the international economic plan should treat this as part of the data to which it must accommodate itself. A stupid government should

Economic Operations

(iii) We hold it to be essential that the Economic Branch should itself conduct economic operations. These may be defined as buying, selling, lending and borrowing. Some preliminary examples may be given.

We believe that it is of urgent importance to adopt some such scheme as the Clearing Union proposed by the British, or the Stabilization Fund proposed by the Americans, for the regulation of monetary relations between nations. The Union or Fund may be conceived as part of the Economic Branch. Its objectives and its powers of operation to attain the objectives would be clearly set out in its original charter. Under either scheme it is clear that it would be involved in buying and selling gold, currencies, etc. on a large scale.

Again, we believe that some international mechanism is required to reduce the fluctuations in the world prices of primary products. To be effective the responsible body would have to be prepared to buy and sell commodities on a large scale.

Again, we shall see that there are strong reasons for setting up an international institution which may serve as a channel through which the surplus savings of rich countries may flow to fruitful use in countries short of capital. This would entail lending and borrowing on a large scale.

It is important that these various operations should not be occasional and exceptional, but should gear in to the world economy so as to have a continuous effect upon it, stimulating it, for instance, in times of depression, or damping tendencies to inflation. To get the right order of magnitude, one must suppose that thousands of millions of pounds sterling (including the equivalent foreign currencies) would pass through its ledgers every year.

Political Importance of "Operations"

This conception, if adopted, would have a most profound influence on the peace settlement, not only in its economic, but also in its political aspects. It must be noticed that buying and selling, lending and borrowing do not normally infringe sovereign rights. An individual could carry out those operations without claiming sovereign powers of any kind.¹ The main thing differentiating those of the Economic Branch would be their vast scale. Of course, these powers could in theory be used in such a way as to give rise to legitimate grievance. Thus if the Branch unexpectedly released a vast holding of wheat just when a harvest was coming

We have for too long been resting on the horns of a dilemma with regard to an International Authority. Is it to be given power to act? But this means a painful wresting of power away from the nation states. Or is it to be merely advisory? But then it can achieve little, its history is likely to be a dispiriting one of repeated frustrations; the higher the hopes, the greater the disillusionment. But there is another source of power which this dilemma neglects—the power of money. The League of Nations and the International Labour Office had to all intents and purposes no money.

Finance of Economic Branch

But whence would it derive its money? It may be well to set out certain financial principles which should be uniformly applicable whatever its varied particular functions might be.

In the first place, it should resemble a commercial concern rather than a government in the sense that it would not be paying money out for purposes that bring no financial return. A government depends on a steady revenue from taxation, which it disburses once and for all to judges, policemen, soldiers, etc. There is a constant outflow which it has to balance by maintaining compulsory levies on its citizens. An institution which operates by buying and selling, lending and borrowing is not in this position. Having acquired a capital it keeps it intact and may even make a profit upon it, which can then be applied to approved purposes.

This is not to say that we may not need some international body which can distribute money for beneficial purposes without expecting any return, such a body might indeed be part of the Economic Branch, but its resources would be limited and its disbursements occasional and exceptional, to meet necessitous cases. It is important to stress the distinction between outright payments of this kind and the regular operations of the Branch. If the former are comparatively small, as we suppose, they cannot have an important effect on the balance of supply and demand in the whole world economy, although they may be a great godsend to the particular beneficiaries. If on the other hand they were large enough to make an appreciable difference to the world economy, this would entail collecting heavy sums by international taxation and the whole question of the sovereignty of nation states would be raised in an acute form, it would entail establishing a world super-state not by a peaceful, painless process but by a great revolution and spectacular act of self-abnegation by the nation states. We hold, on the contrary, that the main activities of the Branch will not consist in providing services which have to be covered by

be regarded like a bad harvest or an earthquake, an obstacle to realizing the highest prosperity possible, but not a fatal barrier to further progress. This is not to imply that the stupid government is the exception, each and every government may be expected to manifest certain characteristic stupidities, and these together create the problem which the Economic Branch has to solve. The point is that it is often wiser to recognize and circumvent the obstacle than to try to force the offending government into line.

Thus the Economic Branch should be able to proceed with its tasks without having to do much violence to national autonomy. It would set out to do certain things not done in the world before. There would be no need for it to take over functions already well discharged by national governments, no need to encroach on their domain. It would be there to do the things which they have not done and cannot do, to make the adjustments required to bring the separate endeavours and policies of governments into mutual harmony. It should set out with certain specific and limited objectives. Its work would inevitably grow, one problem leading on to another. And thus by a peaceful process of evolution without any transference of powers or rights, we should come to find established a piece of international machinery doing work of the highest importance for the welfare of individuals living in all countries. In fact we should, without ever marking the precise time or date, have entered into citizenship of a world state. It would not be a state of the kind to which we are accustomed, whose primary functions rest on a basis of force. It would more resemble the state envisaged in the literature of anarchism where everything is done in willing co-operation and the policeman has no place. It would not be a coercive state, it would have no separate system of law. It would be an institution discharging a number of functions throughout the world in accordance with the laws of the separate states.

Such an institution would have a value over and above the economic benefits conferred by it. It would be a living embodiment of the international principle. Enthusiasm for the solidarity of mankind may be kindled by oratory, but soon dies down again if no institutions exist which give permanent expression to that solidarity. Interest would be focussed upon the work of the Branch and on proposals for improving or expanding it. Public opinion could be brought to bear through appropriate channels. Thus the various peoples could feel themselves to be members of one world system which was in the last resort under their control, and this might wean them from excessive and exclusive devotion to their own national states.

Furthermore, the accrual of surplus saving may alter rather rapidly in the different phases of the trade cycle. If the Branch when borrowing had to take contributions from governments in accordance with some prescribed yardstick, it could not make the quick adjustments demanded by the changing situation.

From the point of view of international politics, this necessity to borrow commercially rather than from governments has an immense advantage. It is to be hoped that within the framework of its charter the Economic Branch would develop a mind and will of its own in the day-to-day implementation of its instructions, it should be raised above sectional pressures and interests. If its terms of reference required amendment from time to time, as no doubt they would, changes should be made through the constitutional machinery of the Grand Council. This would be essentially democratic in character, though with realistic regard for the position of the greater powers. Thus the broad purposes for which its money was to be used would be directed in the last resort by the United Nations themselves through whatever machinery they had developed for giving expression to their collective will. Subscribers to loans made by the Branch would have no more control over its policy than do subscribers to the loans of public corporations inside a country. This principle would give rise to no difficulty in practice if the subscribers were widely scattered individuals or corporate bodies.

But if the subscribers were governments, the autonomy of the Branch would become precarious. Governments making large contributions would feel the power and therefore the temptation to bring pressure, there might well be a popular clamour in their own countries that they should do so. If they yielded to it, this would bring confusion into the counsels of the Branch and ultimately involve the whole international system in disrepute and ruin. It is a mistake to suppose that it would be a concession to realism to give nations from whose area most of the loans were derived special privileges, for the amount of surplus savings an area has to dispose of has no direct relation to its fundamental economic strength. For some years to come, though not necessarily in the long run, it may well be that the United States will have a large surplus of savings while Russia has none, it would be neither realism nor idealism to give a preponderant voting power to the United States and none to Russia.

It is pertinent to ask on what terms the Branch could raise money, since its power for good would depend on its command over money at the cheapest rates. There may be a temptation to facilitate matters by proposing a guarantee from the governments

taxation, but in buying and selling, lending and borrowing. In particular it must be observed that the Economic Branch should not be responsible for financing international security measures. These should be provided by the means set forth in Chapter I.

Secondly, the capital required by the Branch should be small in relation to its turnover. In this regard it should be in a position analogous to that of a central bank. The capital of the Bank of England is at present only about £18 million, but its total liabilities are about £1,100 million and its operations have a profound effect on the whole national economy. A comparatively trivial sum such as £100 million should probably suffice for the initial capital of the Branch. This figure should not be compared with that of the "quota contributions" proposed in the American Stabilization Fund plan. These contributions are required by the special character of the American scheme, they are not capital subscriptions in any ordinary sense. A small capital could be subscribed in proportionate amounts by the governments of the United Nations without any difficulty.

But, thirdly, its assets and liabilities should quickly mount up to much higher figures. It would need to borrow. Indeed it would not only need to borrow, it would be its duty to borrow, for borrowing would be part of the mechanism by which it would secure that equilibrium between world supply and demand for which we have to plan. Now it is most unlikely that it would be found to be suitable for it to borrow from governments, rather it should go over their heads to the financial markets. If governments were asked to subscribe money to an international institution, this would have to be arranged on a regular proportionate basis, having regard to their capacity. But this would entirely frustrate the purposes of the Branch. In borrowing it would seek to mop up surplus savings wherever these occurred. Now, surplus savings depend on two quite separate things—namely, the level of income of the citizens of any area and their consequent tendency to save on the one hand, and, on the other, the scope for the use of savings in the area, which depends on various circumstances, such as the rate of growth of the population, the relation of the size of its population to that of its area, and the stage of economic progress already achieved. Fifty years ago the United States was already a large and rich nation, but owing to its rapid growth it was not one with any redundant savings. To-day, if governments were asked to lend in proportion to the size of their national income, Russia would probably have to make a handsome contribution, but Russia, like the United States of fifty years ago, has probably no surplus saving.

(c) Undertaking its own operations of buying and selling, lending and borrowing

(iii) That the greatest stress should be laid upon the Branch's own operations, since these would provide the best method of taking far-reaching measures without interfering with the sovran rights of nation states, since through them it would be possible to implement the idea of securing high demand and therefore full employment in the world economy *before* asking nations to go further than they wished in restricting their liberty of action, and since through them it should be possible for a world state based on mutual benefit and not force to come to a painless birth

(iv) That while some small initial capital should be subscribed by the governments of the United Nations in prearranged proportions, it should acquire its principal funds for action by tapping the surplus savings of individuals and corporate bodies throughout the world wherever these are found from time to time to accrue

CHAPTER III

THE ECONOMIC PROBLEM

Framework of order Periodic depressions International lending
The Branch as a channel of lending Lending without meddling
Reversing the trend to autarky State trading must not be penalized
Principles illustrated by plan for lending

Framework of Order

LIBERALS HAVE ALWAYS held that prosperity and progress alike depend on individuals having the greatest possible opportunity to develop their initiative and talents. To secure this we need a strongly-rooted system of free political institutions and a framework of economic order, including such things as a sound currency and a well-adjusted commercial law. They have held further that it is the duty of the community to assist the needy, provide equal opportunity and secure a basic standard of living for all. These points have their international applications.

In recent years, developments in our economy, which never stands still, have brought forward new problems. It has been necessary to enlarge our conception of what is required to give a minimum framework of economic order. For instance, the ravages of periodic economic depressions, involving mass unem-

of the financially strongest powers. It should be resisted at all costs. This is the parting of the ways. Are we to set up a genuinely international system? If so, the Branch must be able to stand on its own feet. Its own credit should be sufficient. The most that national governments should be asked to do would be to arrange for the loans to be underwritten by their principal financial houses during the first few years of the Branch's operations. The public is bound at first to be in some doubt as to the success and even the purposes of the Branch. When it had been seen to operate on well-conceived lines without loss for a certain period, it should be able to make further issues without seeking outside support.

Fourthly, although in principle the Branch should have little need of a tax revenue, there is much to be said for furnishing it with a moderate one. It would serve to create a sense of world solidarity and an interest in the collective system. The levy, if there is one, should be placed on individuals and not on governments. Who knew or cared what their respective governments contributed to the League of Nations?

The levy would have to be so small as not to be a possible grievance or appreciable burden. We suggest the figure of 1d a month per head. This would yield an income of about £100 million a year. If 1d a month were likely to be a real burden in backward areas, the levy could be remitted where average income was low. Even if only half the population of the world contributed, this would yield about £50 million a year. To safeguard the taxing rights of sovereign states and show that the expanding functions of the Branch were not intended to entail further levies, it would probably be advisable to fix the figure of 1d a month once for all in the Peace Treaty.

To summarize, our proposals are

(1) That the United Nations should set up an Economic Branch (which might consist of a number of linked institutions) to deal with economic collaboration.

(ii) That this Branch should proceed on three main lines, namely

(a) The collection and diffusion of economic information

(b) Securing that nations harmonize their policies and shape them to mutual advantage, both voluntarily in accordance with advice given from time to time, and by adhering to economic codes by which they would limit their freedom of action in certain defined respects for the sake of mutual advantage.

of securing an improvement in world economic conditions by international collaboration

Periodic Depressions

The time has not yet come when we can present an agreed and final diagnosis of the causes of recurrent depressions. But there is enough agreement about measures which would serve greatly to reduce them. Industry depends on demand. If people are employed and earn a livelihood, the demand for goods for immediate consumption is fairly steady. People will use their income to eat, buy clothes and take their customary pleasures. But there is no similar force causing orders for capital goods to be placed with such regularity, in fact, these orders tend to go in waves and the decline, when it comes, by throwing their producers out of work and pay, reduces the demand for consumption goods also. If the demand for capital goods could be steadied, the demand for consumption goods would be steadied by consequence. It is therefore a problem for the national economy and likewise for the world economy as a whole to devise means for steadying the demand for capital goods. It is probable that we have to go beyond the idea of achieving this by credit control and public works in the narrow sense. Credit control may be insufficiently potent and the public works remedy, if pushed beyond a certain point, is not altogether satisfactory because it may become wasteful.

Now it so happens that the activities requiring large capital outlay are, although not necessarily or universally under State control, in rather close relation to the State, so that without any great extension of its powers it could exert a steadying influence over the timing of new orders. Such activities are the public utilities, railways, port installations, irrigation and land reclamation, and afforestation. The other very large activity on capital account is building. In this case relations with the State have not usually been close. But in a country such as Great Britain, where there will be a large programme of reconstruction, a control over timing in the post-war years will be essential both in connection with raw material and labour priorities. The same will be true in some other countries where there is damage to be repaired or leeway to be made up. If the central authority in a country were able to secure a steady timing of capital outlay in the whole range of near-government industries (public utilities, etc.) and in housing, it would probably be unnecessary to interfere at all with the smaller capital users—namely, the main run of manufacturing industries.

ployment and widespread business loss, call for some corrective by concerted action. Liberals were quick to appreciate this and as long ago as 1928 published *Britain's Industrial Future* (the "Liberal Yellow Book") suggesting various measures, such as credit control and public works, which should serve to correct the tendency to periodic depression without impairing individual initiative or imposing a bureaucratic stranglehold. The wisdom and foresight of that publication were confirmed by the fatal events which followed the financial crash in the United States in 1929. It was five years after this liberal pronouncement that President Roosevelt began his series of great experiments, which, although ill-assorted and in certain cases unwise, were fundamentally liberal in character, since they sought to provide the essentials of order within which an individualist economy could continue to function effectively.

In the coming time when attempts will be made to establish some international order, Liberal doctrine will have a supremely important contribution. On the one hand, we have the fascist or "corporative" solution, toned down perhaps to suit democratic temper, which consists in giving the leaders in each industry a free hand to regulate their own affairs by imposing compulsion on the minority. In the minds of many people a world economic settlement would consist in handing over to international trusts and cartels and producers' associations the powers to divide markets, fix prices and restrict output. There is great danger in this point of view. For such a system to work effectively according to its own lights, the international cartels would have to be assigned far more detailed power over economic development than national governments will in the last resort be prepared to surrender. With insufficient power they would fail to achieve their own objectives. Moreover, what is even more important, it is impossible by monopolistic practices contrived to further the sectional interests of each industry to secure an equilibrium between supply and demand for goods in general or to solve the problem of mass unemployment. In planning their own Utopia, the sectional interests merely transfer the strain to other less powerfully organized parts of the economy. On the other hand, we have the full Socialist solution. It is not necessary to discuss its merits since it is clear that a sufficient number of the United Nations will not accept it.

It follows that the Liberal solution is the only one that is internationally workable. Even those who do not prefer it for application in home affairs are bound to be Liberals in international affairs if they sincerely wish to take this great opportunity

private person is responsible for a movement of capital, it is incumbent on him to analyse the project in all its particular circumstances. A central institution concerned with the total flow of funds should look at the matter in a different way. Its position would be more analogous to that of a central bank which may meet the financial needs of the community by buying a block of government securities without taking any cognizance of the way in which the money so provided is used in detail, it makes an estimate of the volume of new credit that is needed, having regard to the state of trade, and leaves it to specialized institutions to direct it to the right places.

We envisage the ideal working of the machinery for the international movement of funds as follows. Each government would be asked to set up a department or national investment board or to nominate an existing financial institution for the receipt of loans. The Loans Committee of the Economic Branch would estimate the proper sum that should be lent to each country from time to time by reference to its world map. The estimate would be constantly revised in the light of current history. The receiving department in each country would devise its own means for ploughing it into use. The Branch would raise its money from the citizens of the countries scheduled on the map as lenders. After a short period of working it ought to be able to raise this money in the market at gilt-edged rates without any guarantee by the separate governments. The money would be passed on at correspondingly low rates to the receiving institutions. The institutions would deposit collateral with the Branch consisting of the securities of their own governments or any others that were acceptable.

The Economic Branch would expect reports from the receiving institutions on the use made of the money. This does not mean that it would necessarily require details of the specific uses to which the money was finally put. If the receiving institution employed it directly on national works, the Branch would welcome all information about them. But it might well happen that the receiving institution would not lay the money out itself, but filter it through the ordinary commercial banks or investment companies of the country in such a way that the money would be well dispersed and applied to a large variety of miscellaneous uses. The Economic Branch need not keep track on its ultimate destination, indeed, it might be impossible to do so. It would only need to know that the receiving institution conducted its affairs in a business-like way and dealt at first remove with firms of good standing and solvency.

The trade cycle is a worldwide phenomenon, and it is a joint interest of all nations to secure steadiness in orders on capital account in the world as a whole. In all the various types of measure designed to prevent oscillation the Economic Branch would have its appropriate part to play.

In the case of credit control it should act by each of the three methods set out in the last chapter. It should collect and disseminate facts relating to banking and currency. It should seek agreement from the separate countries for the synchronized expansion or contraction of credit. There is no doubt that in the past the monetary authorities of countries have been held back from expansionist measures by the fear that, in the absence of similar measures abroad, they might make their balance of trade adverse and weaken their currencies in the foreign exchange markets. Finally, the Branch should also operate itself. Its department or affiliated institution concerned with international currency and foreign exchange relations should be in a position to enlarge or contract the common cash basis of all nations by buying or selling bills, securities or the precious metals.

Similarly in the case of public works. The Branch should harmonize national policies by securing as much agreed synchronization as possible, and it should operate by contributing part of the capital needed for such public works as were carried out at approved times and places. It would raise this, not by proportionate contributions from the nations, but by mopping up savings wherever these were redundant to the needs of the area.

Emphasis is likely to shift from public works proper to the capital outlay of the semi-public activities already mentioned. Here again the Branch should work on similar lines. It should encourage the national authorities to obtain sufficient control and arrange for an exchange of information on the efficiency and facility of various methods of maintaining it. And it should be prepared to contribute to the capital required.

For many years the idea that money should have a steady purchasing power has been canvassed and argued. The principle has been widely accepted, but the practical difficulties have always appeared insuperable. So many commodities have a worldwide quotation that no one nation could secure a steady price level within its own boundaries without introducing an instability into its foreign exchanges, which might be undesirable. With an international currency and exchange institution in being, it seems that we ought sooner or later to try to establish a more scientific measuring rod of money. This would be a

Branch would not lose. We may revert to the analogy with the central bank of a country. By reference to trade barometers, it may decide that some expansion of credit is desirable. It proceeds accordingly to enlarge the cash basis by the amount it thinks fit against collateral of the highest standing. This is analogous to the action of the Economic Branch in lending to the receiving institutions of the particular country. The additional credit provided by the central bank is then filtered through banks and commercial houses of high standing into use by the industrial and trading community. The banks maintain solvency by pooling risks and insisting in their turn on good collateral. But if one examined in detail all the enterprise released in consequence of the original expansion of credit, one might well find that much of it had been risky and entailed loss. The loss would fall upon the particular *entrepreneur* responsible for the particular project, the central bank would remain immune. This is right and proper. If the central bank never expanded credit without following up and approving what was done with the additional money at furthest remove, our system would be reduced to complete stagnation. And so it would be with the Economic Branch in its direction of the international flow of funds. It must determine by reference to its general barometers how much money should be lent, it must deal at first remove with institutions of undoubted solvency, but should leave the responsibility and risk in the detailed use of the extra capital to the enterprise inside the country, whether controlled by capitalists or commissars, according to the economic system there prevailing.

This would be the ideal way for the system to function. But it might happen that borrowing countries, especially backward countries, required not only money, but technical assistance for their own development. This would make the matter more difficult, for the Economic Branch, if called upon to provide such assistance, would have to take cognizance of the special projects. It would only give its assistance to projects of which it approved.

Now, the private investor, in considering a particular project, will give close attention to all the circumstances affecting prospective profit, including any tariff protection that is likely to be enjoyed. A government, if asked to support a project in its own country, pays attention to its expected profitability, its social aspects and its relation to the kind of economic development which it favours. It has regard to the general balance of activity in the country. The Economic Branch could not confine itself to these considerations. It would be bound also to consider the balance of production in the world as a whole. A private investor

Lending without Meddling

It may be well to refer to the advantages of this kind of approach

In the first place it is not proposed to put obstacles in the way of private initiative in foreign investment. In a more secure world it may happen that enterprise in this field is greatly stimulated and suffices to dispose of all the surplus savings of certain countries. It would be necessary for the Economic Branch to have reliable estimates of the amount of money flowing by private enterprise into foreign investment. It would need these estimates in any case in the discharge of its duties in maintaining orderly foreign exchange relations between nations. And with the aid of the central banks and governments of the various countries, it should be in a good position to acquire them. The Economic Branch would only operate itself to the extent that private enterprise failed to transfer sufficient money. It must be noticed in particular that the private flow of funds is apt to be strongly affected by the ups and downs of trade, whereas it would be the duty of the Branch to keep the *total* flow steady. For instance, it would have been its duty in 1929 when the American flow of lending came to an abrupt halt, to provide a safe channel by which American lenders could continue to dispose of their surplus. Had it been in existence at that time it could have saved the world from very great disorders.

Secondly, the principle that the Branch should raise its money from the public rather than governments safeguards the other countries from the possibilities of political pressure which the lending governments might be tempted, perhaps under insistence from their citizens, to exert.

Thirdly, it leaves the borrowing countries with the greatest possible amount of freedom to manage their own affairs in the way that they like best.

Fourthly, it is envisaged that the money may be needed for projects with a narrow profit margin or a substantial degree of risk. This is of the essence of the matter. There may be no other way of employing capital in countries where primary needs are already met, and yet it may also be that unless additional capital is employed in such countries, saving in the world as a whole will become redundant and mass unemployment ensue. But if capital is to be used for such purposes, it is essential that it should be directed to its destination by people on the spot with close knowledge of the circumstances and responsibility for management. Part of the money may be wasted and lost, we must face this, progress is impossible without some risk. But the Economic

each other out, the wider the area of demand for which a given group works the more stable that demand ought to be.

There have been other forces also making for autarky. Political insecurity is the most obvious, we hope that this will be eliminated by the arrangements of the Peace Treaty. The breakdown of the gold standard has left international currency arrangements in disorder, we hope that the Economic Branch will be able to re-establish order here, so that nations are no longer haunted by the fear that their currencies will break down in their effort to pay for imports. Increasing attention to statistics, so valuable in many ways, has had an unfortunate influence in this sphere. Altogether too much attention has been paid to the balance of trade. If a misguided enthusiast, interested perhaps in the location of industry, caused each county of England to compile a record of its balance of trade, twenty-one entirely spurious problems would be created, spreading alarm and despondency over one half of England. And if transport charges were included in the value of imports but not of exports, as they are in our national balance of trade statistics, every county of England might fear that it was going bankrupt. With a proper handling of the international monetary and lending problems, each nation's balance should be self-adjusting and give no grounds for anxiety.

There is an even more important force at work—the supreme tyranny of fashion. Each nation feels the ambition to follow in the footsteps of the nation that is most prosperous at the moment, once Great Britain, now the United States. Each nation seeks to establish the most recent line of manufacturing process. Uniformity rather than diversity becomes the ideal.

We have no sympathy with this ambition. It is a manifestation of the false and harmful kind of nationalism. True nationalism consists in the pride of peoples in their excellencies, their own special gifts and achievements which differentiate them from the "barbarous foreigner." It is in the interest of this true nationalism that we wish to keep the functions of the world organization within limits, and sustain national entities and rights to the greatest degree compatible with safety and order. This sort of nationalism is properly called true because the pride entertained by each people that it is supreme in its individual characteristics may well be true. False nationalism seeks to ape and imitate whatever nation happens for the moment to be cock of the walk. To have the best bomber, the best chemical plant, the best extrusion press becomes its ambition. And since pride has to arrogate to itself first place, this kind of pride must be false in all cases save one. It involves complete uniformity throughout the world. The

might favour a project of steel works having regard among other things to the high tariff protection in prospect. The government of the country might think it useful as a means of diversifying employment or increasing war potential. The Economic Branch on the other hand would have to take into account the prospective trend of demand for steel products and the capacity existing in the world. The government of the country may be content to prevent redundancy in its own area by excluding foreign imports. The Branch must consider the question of redundancy in the world as a whole. It could only sponsor the project if it estimated (a) that the rising trend of world demand was sufficient to absorb the additional output or (b) that the steel works were likely after an initial period to be more efficient than capacity already in existence elsewhere and capable therefore of earning a profit without any tariff protection.

Reversing the Trend to Autarky

This brings us to a broad principle of Liberal philosophy. Liberals have always believed that progress lies along the line of increasing international division of labour and interchange among nations. Not only does this bring the whole comity of nations and each nation to the highest level of material prosperity that is attainable within the limits of our productive powers, but also the mutual dealing involved strengthens the links that unite the nations into a single world commonwealth. Their separate interests are thereby blended together and their contacts multiplied.

For some time now a very different philosophy has been gaining ground. Nations have been seeking to build themselves up into self-sufficient or autarkic units, dependent on their own resources alone. Foreign trade, which should be a stabilizing influence, and will be if we succeed in ironing out the trade cycle in its world-wide manifestations, has been regarded as a disturbing element. The word has gone forth that steady production and employment are more important than the additional gain to be harvested from foreign trade, and that this should accordingly be reduced to the lowest possible level. This position should be quite reversed if the world flow of demand is steadied. Countries' export markets will then be the least fluctuating feature in their economy, and countries where a high proportion of production goes to exports will be able to maintain internal stability more easily than those which shut themselves up. This should, indeed, be the normal state of affairs, since disturbances in the wide world tend to cancel

when it is asked to provide technical assistance, is it right and proper for it to veto projects that would create redundant capacity? Of course a government may also seek its advice about what projects are desirable, and they should be given every encouragement to do so.

The right method for checking unhealthy trends to autarky is the establishment of the greatest possible amount of free trade in accordance with Article VII of the Mutual Aid Agreement. The Branch would take steps at the outset and at frequent intervals to persuade governments to make reciprocal concessions and all-round synchronized tariff reductions. Tariff maxima, together with the prohibition of discriminatory practices, might be included in an economic code to which nations would be asked to subscribe. This code would be a sort of charter of the new internationalism. Now it would be perfectly proper for the Branch to make a discrimination in its lending policy between those nations which had and those which had not subscribed to the code. Why should nations refusing to play the game in the international system enjoy its full advantages? In this indirect way the Branch could secure that not much of its money went to support autarky. Free trade (or a low tariff) would ensure that autarkic projects were unprofitable, thus capital in the countries subscribing to the code would not flow into them. And countries not subscribing would get a smaller quantity of capital. This plan would provide a strong inducement to countries to subscribe to the economic code. And it would also supply them with means for doing so, for the loans would temporarily relieve their anxieties about balance of trade difficulties which might be the immediate consequence of the tariff reductions, and the loans would also enable them to employ on profitable capital undertakings the personnel who might be put out of employment by the termination of unhealthy protectionism.

State Trading must not be Penalized

What of countries where the importing function is monopolized by the State? They are able to give unlimited protection without a formal tariff at all. Should they or should they not have favoured treatment in the matter of borrowing? It may be presumed that in such a country the State exercises control over internal capital developments. As a general rule, then, the case against the Branch taking cognizance of the application of the money would not apply. The borrowing government would inform the Branch of the use to which the money was to be put, and the Branch would consider this in relation to world capacity.

rule of fashion means the servitude of the individual spirit and by consequence in the long run the end of progress. If the fashion happens to consist in adoption of the latest technological device, material progress may be sustained for a time. But in the end science will herself become stagnant. She needs to be constantly refreshed by the creative impulse of the individual mind, and if this is killed by the universal tyranny of a uniform fashion, science will lose vitality and perish.

The coming peace should be in one sense a culmination of recent trends, in another a reversal. It should provide an opportunity for the introduction on a world-wide and effective scale of improvements in currency, trade-cycle control, investment control and social security, which have been germinating in the minds of forward-looking people. It should, on the other hand, be the occasion for explicitly proclaiming a reversal of the trend to autarky by which each nation seeks to be a small-scale model of the great power which she regards as smartest.

Consequently, while the Economic Branch may be deemed to fulfil its function best if it directs funds to where they are needed, leaving each nation free to supervise their use in detail, if it is required to take cognizance of the specific nature of the investment resulting, it must attach no weight to the autarkic motive. It should turn a deaf ear to a government that pleads on behalf of a project that it would make the nation more self-contained and less dependent on imports. It must be governed by economic considerations alone—namely, whether the project meets a world requirement or entails more efficient production. If it has any bias, it must be in favour of internationalism in the sense of each nation cultivating its special talents and becoming more, not less, dependent on others for the products for which it has no special talent, it should favour the greatest degree of mutual interdependence among nations, the highest ratio of imports to home production.

Some might argue that the Economic Branch ought to use its power as a channel of lending to dictate the lines on which industrial expansion in each country should proceed. We are opposed to this on principle. The powers of the Branch should be confined to those things which it alone is able to do, which, if it does not do them, will not be done at all. We have argued that without the intervention of the Branch the international flow of capital may be insufficient. Accordingly we recommend that it should take steps to enlarge the flow. But it is not necessary that the Branch should undertake detailed supervision of the uses to which the capital is put, and accordingly we do not recommend it. Only

economic inducements which may serve to direct savings inside a nation to where they are wanted without centralized planning may fail to get capital to move internationally when the more obvious needs of the capital-requiring countries, such as a railway system, have already been met. The Branch would do in the international field something analogous to what a 'system of deposit banking does inside a country, mopping up savings and directing them to uses which are beyond the cognizance and control of the savers.

(ii) *Its guiding purpose would be to secure "full employment" or a proper balance between the demand and supply of goods in general in the world as a whole.* Under-employment of the world's resources has been the most characteristic modern malady. It is proper that the objective of "full employment" should be put in the forefront of any scheme of international planning. Only against a background of full employment will governments or individuals have the courage to make other experiments on progressive lines, whether towards greater freedom of trade or the introduction of new and more efficient technological processes or fuller social security. It is to be noticed that the primary concern of the Branch would be with the balance between the demand and supply of goods in general, adjustments in the supply of particular goods being left to individual initiative, save in special cases.

(iii) *These functions could be carried out without infringing national rights and sovereignties.* Leave might have to be obtained from individual governments when the Branch floated loans in their markets. There might be small questions requiring adjustment, such as the timing of issues so as not to compete with the governments' own financial operations. The only big question that might disturb a national government would be whether its balance of foreign payments could stand the withdrawal of funds involved. But the loans would only be floated in countries of surplus savings which by definition tend to have a favourable balance, and the foreign exchange department of the Branch would guarantee that any short-period exchange disturbance would be cushioned. The receiving countries would presumably welcome a supply of capital at low interest rates. It would remain open to them to refuse this favour.

(iv) *The function could be carried out without detailed interference in production and trade.* This has been explained at length. Interference should be confined to cases where it was useful and welcome, such as those where backward nations require technological assistance in development projects.

(v) *The functions would be based on the new creed of internationalism.*

The particular case coming up for first consideration would be Russia. There are a number of special reasons why we think it imperative that Russia should have favourable treatment. Funds, indeed, for reconstruction in Russia do not fall within the purview of this discussion, which is concerned with the ultimate normal working of an international system and not with post-war relief and rehabilitation. But when reconstruction is over, we shall still wish Russia to have a full share of the advantages of international collaboration and not to be in any way penalized for having a communist system. We have regard not only to her unique contribution to the cause of the United Nations at war, not only to her status as one of the four great powers on whom peace in future will primarily depend, but also to what the world lost from her economic isolation during the twenty years between the wars, when she was the victim of the suspicion of other nations. All that must now be ended. Russia must be entitled to her full proportionate share of the funds canalized by the Branch.

But the matter does not end with Russia. Other nations, whether communist or not, may from time to time adopt the device of state trading. It would be intolerable if by doing so a nation could automatically gain exemption from the duties of membership of the international system without forfeiting any of the advantages. Russia would, no doubt, be the first to recognize this. It is important therefore that the Branch should devise methods for securing that loans to a state monopolizing foreign trade should not be used for the purpose of creating an autarkic system. Russia would herself be best able to advise the Branch on how this result could be achieved with the least possible interference with the liberty of the State-trading country to manage her internal affairs in the way that best suited her.

Principles Illustrated by Plan for Lending

We have dwelt at some length on the function of the Economic Branch—as a channel for international lending, because this illustrates certain very important principles of international economic planning.

(1) *It would be performing a new function in the world which no national government or private person could do effectively.* Its decisions would be based on and governed by comprehensive estimates of income and trends of increase all over the world. No one government could obtain all the necessary information, or, even if it did so, would have any motive or power to adjust foreign lending so as to secure a world balance. Furthermore, the ordinary

Commercial Code

The wind must be tempered. We have recently lived through a decade in which trade restrictions became more severe than at any other time in history. Artificial structures have been built up and vested interests created. Transport difficulties during the war have made the drive toward self-subsistence even more intense. We cannot expect the various nations immediately to divest themselves of their protective armour and expose themselves to the full blast of competition. If we make our initial proposals too heroic, we may jeopardize international co-operation, since the nations may feel that too much is asked of them.

Furthermore, there is much to be said for the policy, already indicated, of showing in rather concrete terms what positive measures it is proposed to take to maintain world demand and employment after the first post-war boom, so that governments, unwilling to trust to abstract theory, may be eased in their minds with regard to their domestic employment and balance of trade problems. The article of the Mutual Aid Agreement already cited is wise in giving prior mention to positive measures for "the expansion of production, employment and consumption" before referring to the removal of barriers.

None the less, we believe that such a unique occasion as the end of this war should be marked by a distinct advance and we propose that a commercial code should be drawn up to which nations would be asked to adhere. This would lay down certain rules regarding trade barriers, prohibiting certain practices and setting maxima for others. All nations adhering would grant Most Favoured Nation treatment to each other and might also be admitted to preferential consideration in other economic plans, such as those for foreign lending. The door would be kept open for other nations to adhere subsequently.

Such a code would not preclude other attempts, whether bilateral or multilateral, to secure mutual tariff concessions by agreements on traditional lines. And it should not be regarded as providing a final formula, but rather as the first of a series of codes tending to ever-increasing liberty of commerce. These would be put forward by the Economic Branch on all occasions that seemed propitious.

Balance of Trade

One of the greatest obstacles to the reduction of barriers has been the anxiety of each nation about its balance of payments

and carry an explicit repudiation of the aim of autarky International planning must pre-suppose an ideal of internationalism Nations cannot have it both ways If they wish to enjoy the benefits of an international system they must renounce the idea of building themselves up into self-sufficient units This should be recognized at the outset If nations refuse to subscribe to whatever tariff code may be agreed by the majority, they must expect less favoured treatment in the matter of loans There need be no question of coercion The lending system would offer an inducement to subscribe to the code It would be for each nation to make a free choice

CHAPTER IV

FREEDOM OF TRADE

The Atlantic Charter A commercial code Balance of trade Security Most Favoured Nation clause End of import quotas, barter agreements and bi-lateral clearings Preferences in the Commonwealth and Empire British agriculture Unemployment Low wages abroad Summary

The Atlantic Charter

ALL LIBERALS WELCOME the undertaking in the Atlantic Charter to further the "enjoyment of all States of access, on equal terms, to the trade and raw materials of the world which are needed for their economic prosperity" (Art 4), and that of the Mutual Aid Agreement to take action directed to "the elimination of all forms of discriminating treatment in international commerce, and to the reduction of tariffs and other barriers" (Art 7)

We favour the utmost possible extension of the international interchange of goods and services, not only to promote the well-being of all, but also as the indispensable symbol of the solidarity of nations For each nation to shape her commercial policy to a short-sighted self-interest would be inconsistent with the very idea of an international comity If the United Nations do not carry forward a great movement towards reducing commercial barriers, then all the peoples will see that they are only paying lip-service to the international idea, and their hopes not only for economic prosperity but even for security itself will speedily wither This doctrine is so familiar to Liberals that it is unnecessary to labour it We shall devote our space to certain special applications and practical difficulties

investments having no sound economic purpose reached formidable totals. In that case the special measures proposed in the Clearing Union scheme would have to be applied. Otherwise a government would have no more reason for anxiety about its balance of payments than would the Warwickshire County Council for the balance of payments across the county boundary. There would be no vestige of an excuse on this score for holding back from agreements for reducing trade barriers.

Security

It is to be hoped that the political measures for security set out in Chapter I will relieve governments from the desire to foster uneconomic production for reasons of defence. This would be a great advance. So long as each nation is primarily responsible for its own defence, it will tend to desire, not only armament plant, but a basic heavy industry to provide materials. But we know that certain countries already have steel-producing capacity far in excess of their domestic requirements. If in addition every nation aimed at self-sufficiency in steel, there would be a great redundancy of capacity in the world. Or again in the case of foodstuffs, the high protection given to cereal production in Europe before the war was holding back the advance in the standard of living there which could otherwise have been achieved. If countries no longer aim at self-sufficiency in food, a more rational division of labour in agriculture becomes possible, with the highly populated areas concentrating on livestock while drawing much of their grain from the large open spaces.

If, having regard to transport difficulties in the event of an "incident," the International Executive thought it desirable that certain forms of arms output should be within reach in the various quarters of the globe, it would take steps to secure this. Generally one would suppose that this need could be met by well-dispersed stocks of the necessary weapons. But there might be exceptions. In commercial codes or agreements for tariff "ceilings" or other limitations to trade restrictions, a clause could be inserted providing exemption for production undertaken at the specific request of the International Executive. National anxieties will not be relieved at once, but, if the security arrangements are seen to be working well, the position should progressively improve.

Most Favoured Nation Clause

Free Traders have, until recently, given their full support to the Most Favoured Nations clause, as the next best thing to free trade. The more widely this is extended, the less scope is there for

This should be greatly reduced by some such international institution for regulating currency and foreign exchange as the proposed "Clearing Union" or "Stabilization Fund." Under either plan a breathing space would be given enabling individual countries to recover from the shocks due to the trade cycle or particular adverse factors affecting their own condition.

Such a Union would also be most useful in providing an objective record of the state of balance of each nation. It could be provided in the code and in other commercial agreements supplementary to the code that if a nation showed a persistent adverse balance tending to bring her "debit" near the danger point, she should be at liberty to impose certain import restrictions despite the code or the agreements. This safety valve should make many nations willing to subscribe to arrangements from which they would otherwise be inhibited by fear of insolvency, and the publicity of the accounts would safeguard all against the unneighbourly nation, which might otherwise allege some spurious difficulties of payment as an excuse for denouncing agreements.

The Clearing Union provides orderly and concerted measures for dealing with a nation which proves irretrievably insolvent. There is also much merit in the article of the American "Stabilization Fund" scheme which proposes the application of special measures to any nation showing an obdurate tendency to a cumulative credit balance. Where there is an unequal balance of payments, it is wrong to suppose that the fault, whether moral or economic, necessarily attaches to the debit country only. There is virtue in the idea that special measures are appropriate in the case of a country which gets much out of step *either* on the credit *or* the debit side. Indeed, in a world tending to under-employment it is the unexpended credit balances that do more harm.

While the Clearing Union or the Stabilization Fund would give great easement to balance of payments anxieties, neither by itself provides a radical cure. To find a radical cure we must look to the combined effect of the work of the Clearing Union and of the Loans Committee. If the latter body can secure that surplus savings are transmitted abroad and applied where they are most needed, then truly the balance of payments problem will be completely solved, and honest governments need worry no more about it. A country could then only get into trouble if the government ran a budget deficit beyond reason—moderate deficits may be regarded as normal in the modern situation—or allowed such disorderly economic conditions that bogus private

benefits arising from tariff concessions made by others to third parties, there should be an implicit understanding that it is itself giving fairly good treatment—in fact, that it is a moderate tariff country. Thus it was perfectly proper for Great Britain in her free trade period and even in her moderate tariff period to insist, as she did successfully, on Most Favoured Nation treatment by others. The combination of American insistence on this with her high tariff policy has undoubtedly shaken the confidence of others in the value of the clause.

Failure to get substantial tariff reductions by the old methods even after the resolutions of the Geneva Conference in 1927 set the minds of Free Traders working in a new direction. Ought not the low tariff nations to get together and form a low tariff union? This would involve denouncing the most favoured nation agreements with countries which refused to come in. A first step was taken in this direction by the Ouchy Agreement between Belgium and Holland in 1931, to which other nations were invited to adhere. This came at an unfortunate moment when the slump was at its worst and all the phobias connected with countries' balances of payments and domestic unemployment were inflamed to the utmost. The initiative was still-born, but the idea that the reduction of barriers might best be attained in this way survived, and Liberal support for the Most Favoured Nation clause became less whole-hearted.

In the new situation it should be possible to get the best of both worlds. Nations adhering to the code would be the low tariff group, and, it is to be hoped, a very wide group. They would give each other unconditional Most Favoured Nation treatment. There is no reason why nations not adhering to the code should not be encouraged to give each other Most Favoured Nation treatment also. Nations adhering could not give Most Favoured Nation treatment in the ordinary sense to nations not adhering. But there might be a second best form of Most Favoured Nation treatment. An adhering nation would undertake to give a non-adhering nation as good treatment as it gave any other non-adhering nation. Thus things might be ironed out so that there was only one form of discrimination in existence, namely the general discrimination of adhering members against the goods of non-adhering members.

If it proved impossible to get sufficiently wide support for the code initially, it might be well to postpone its adoption pending the favourable effect of expansionist measures upon the world economy. In such a case this country should remain firm in its support of the Most Favoured Nation clause.

discriminating between imports according to their countries of origin. Free Traders are opposed to discrimination on economic and political grounds. Tariffs, by preventing the most economic international division of labour, reduce prosperity both inside and outside the tariff imposing country, discriminations give another twist to the distortion and reduce prosperity still further. But discriminations are far more vicious than tariffs in inflaming national animosities. An Englishman selling goods in France may bear with some equanimity as something rather in the course of nature the fact that his French competitors have an advantage over him owing to the French tariff. But he would think it quite intolerable if he found that the Germans or even the Americans had an advantage owing to a discrimination in the French tariff system. Yet such discriminations are bound to crop up if the Most Favoured Nation clause does not prevail.

From the point of view of self-interest, a nation gains by having Most Favoured Nation treatment granted to it and is prepared to grant that treatment to others as the price of that advantage. Eagerness to grant and get Most Favoured Nation treatment implies some scepticism with regard to what may be gained by tariff bargaining. If a nation has granted this treatment to a number of others, it will find it difficult to offer equivalent concessions in bargaining with another nation since it will have to generalize these concessions and by so doing expose its producers for the home market to competition over a wider field than that gained for its exporters, and if the nations with whom it has to bargain have given this treatment to many others, they will find it equally difficult to make concessions to it. This is all to the good. Tariff-bargaining is not a thing to be encouraged. Governments are led to increase tariffs in advance (*tarifs de combat*) with a view to making bogus concessions subsequently, which seldom reduce the tariff as a whole to its former level, and much ill will is generated.

Naïve protectionists in this country, for whom tariff bargaining is an untapped Eldorado, are apt to extol its promise of great gains. But the Americans, after a longer experience of the subject, registered their despair of getting much out of it by their conversion after the last war from the conditional to the unconditional form of the Most Favoured Nation clause. The conditional form of this clause merely pays lip service to its name and is in fact its opposite.

There was something a little anomalous in the American conversion at that time. If a nation expects to receive unconditional Most Favoured Nation treatment from others, and to reap all the

of some of our suppliers upon our market by making them earmark the proceeds of sales to us for the purchase of British goods. Would not this be a fair deal? We should say "You have the advantage of our large, stable and reliable market, the least you can do is to take our goods in return, of course we shall endeavour to cater, to the best of our ability, for your needs, we shall not send you a lot of unwanted typewriters." There is the idea in some minds that if we do not fix up some direct arrangement of this sort, we shall be in great difficulty to know how, and perhaps in the end quite unable, to pay for the goods we have to import.

The idea is plausible and, at first glance, attractive, but it is fundamentally fallacious and highly dangerous and should be dismissed completely from the mind.

In the first place, it is very short-sighted. If we can send out goods that are genuinely wanted at competitive prices, the barter agreement will be unnecessary and create immense ill will for no purpose. But if the goods are not wanted or expensive, if they are out-of-date and growing annually more so, and are stamped with a large hall-mark of British complacency, then the receiving countries will not be content with the arrangement. If they specialize in producing bacon for the British breakfast table or beef for the British luncheon table, they may have difficulty at first in escaping from this thralldom. But the future holds other possibilities. With rising standards of living other peoples may begin to afford bacon and beef. And again agriculture is not perfectly inflexible. Other commodities will be thought of and in due course produced. Ultimately we should find not only that this source of supply was not guaranteed, but that it had dried up altogether. We should have killed the goose that laid the golden eggs.

We should not be deceived by Herr Schacht's success in the Balkans. The experiment was a short one, and, even while it lasted, was backed by growing political and military pressure. The Balkan countries were restive, but what could they do? We shall not be able, even if we were willing, to exert a Hitlerite pressure on these so-called guaranteed markets.

In the second place, it would be entirely inconsistent with the international system which we should be endeavouring to build up. It would involve the most blatant form of discrimination. It would mean the exertion of one-sided pressure in relations which, on any system of international co-operation, should be subject to agreed general principles. The bilateral clearing would not fit into any scheme for the international regulation of money and

Import Quotas

This is a more vexatious form of trade barrier, which became popular in the decade before the war. Nations adopting the system did not in every case wish to give higher protection to some industry, they were often driven to it either (a) owing to balance of payments difficulties or (b) because in face of great fluctuations in world prices tariffs proved unable to give any substantial protection at all.

The first of these difficulties has already been dealt with. In regard to the second, it is to be hoped that the international monetary authority working in conjunction with the Loans Committee will succeed in maintaining reasonable stability in the general level of world prices, and that excessive oscillations in individual prices may be reduced by internationally operated buffer stocks. This would take away the main case for the import quota.

We should seek to get away from this system completely. It was already becoming evident that, if practised, it makes hay not only of Most Favoured Nation treatment, but also of all tariff agreements. No tariff concession is worth anything unless accompanied by an undertaking not to impose quantitative restriction of imports. It is hard to see how quotas can be applied without discrimination and all the evils which that entails. If it is objected that the quotas can be based on the statistics of trade in previous years, the objection may be granted with the corollary that it would entail an even greater evil than discrimination—namely, stagnation, and support for the high cost producer for an indefinite period.

Barter Agreements and Bilateral Clearings

Loss of foreign investments and of shipping, the further growth of manufacturing capacity overseas in consequence of the difficulty of obtaining supplies from Europe during the war, and the attempts which will be made, in some cases with justice, to secure a more favourable relation of the prices of primary to those of manufactured products, will all combine to present Great Britain with an awkward balance of payments problem after the war. She will have to export a greater quantity of goods in order to purchase the same quantity of imports, and she will have to offer them at low enough prices to attract purchasers.

This prospect has suggested to some minds that in this rather formidable situation, it would be well to exploit the dependence

Beveridge plan and much more than the Beveridge plan. But Great Britain is not soft. It knows what has to be paid in hard endeavour for greater security and improved standards. What could be more foolish than to come forward and tell those responsible for our exports that owing to agreements which had been made here, there and in various places, to run for five years, British goods would be sheltered for the time being from the winds of competition? What is to happen after five years? Some further respite for a diminished quantity? And then?

Now is the psychological moment to set the standards of efficiency which will have to be maintained. There is no advantage in gaining temporary easement by bilateral arrangements, which in effect mean living on capital, only to make the situation worse later. False hopes will be roused, slackness encouraged, and, in this basking period, our productive techniques will once more get quite out of date.

Fifthly, it would be a severe, perhaps mortal, blow to our international prestige. This may be very important in the new epoch upon which we are entering. The epoch of our industrial and commercial hegemony ended some time ago. We do not expect any windfall accretion to our material assets. We enter upon a reduced inheritance on which, however, with our physical and scientific endowments we may maintain a position of respectability. But there is in addition this question of a new phase in world affairs, this international collaboration. It is possible that we are specially qualified to play an important part which may give us a new interest and new lease of life.

One must avoid complacency. It is necessary to recognize that many British mental characteristics are repulsive to the foreigner and many more unintelligible. But when the foreigner has made his most devastating criticisms, he may have a saving clause. This international collaboration will not be easy. In the vast medley of conflicting interests and cross-purposes, would the average foreigner opt that the British representative should be absent? There is a certain stability, perhaps stolidity, about him, which may serve a purpose. He surveys the hurly-burly often un-understandingly, but at least unmoved. He has surely something to contribute to the process of binding together this heterogeneous mass.

What is his contribution? Is it that there is complete confidence that if he joins in an undertaking he will not countenance its not being carried out according to plan, either in his own interest or in that of anyone else? Such an element in the proceedings, if he may claim to have it, is bound to be of value. So far as his influ-

exchanges of the Clearing Union or American Stabilization Fund kind. In fact it would throw a large spanner into the works of post-war reconstruction. We have to ask ourselves where we think the greater advantage lies—in the short-lived gains which we could win by exploiting our position as a large buyer, or in the general expansion of world trade and purchasing power which would result from such a scheme as the Clearing Union, from plans for developing international investment, and from the knowledge that the United States and Great Britain were standing together and collaborating on world tasks in a friendly spirit.

Thirdly, the Americans would very naturally and properly take umbrage. This means not only that they would cease to collaborate closely with us in world reconstruction—sceptics may hold that the benefits that we hope to flow therefrom are still problematic—but they would feel themselves driven to make some reply in this game of economic warfare. They have some good cards. For instance, they will be in a position to invest much more abroad than Great Britain, and they could insist that the funds supplied should be devoted exclusively to American goods. Or again they could declare with perfect propriety that the bilateral arrangements were forms of discrimination, and discriminate against the parties to them in their tariff system, this would make our vassals still more restive. Can we really afford to begin this economic warfare? It would be we who began it. The desperate, fevered recipes of the 'thirties cannot be taken as precedents for normal times.

The political repercussions might be still more serious. If we applied the system to South America, the Pan-American Conference with its susceptibilities about economic infiltration would have something to say, if to the Dominions, it would drive them closer to the United States and might sever the links of Empire, if to the colonial dependencies, this tight shutting of the door against foreign competition would greatly intensify foreign animosities in regard to them and might well make our position critical.

Fourthly the system would be very bad for domestic morale. The British people know quite well that we can only live by making goods that foreigners want and by being prepared to sell them at competitive prices. This means the utmost expenditure of ingenuity, initiative and hard work, it means the end of trade agreements for holding prices of materials or components at a monopolistic level, it means the end too of Trade Union restrictions where these diminish efficiency. In many respects prospects on the home front are by no means bleak, we shall have the

rough-and-ready compromise between conflicting interests. It was hoped at one time that Ottawa might promote a greater total flow of trade, preferences being given by a reduction of inter-Commonwealth duties rather than by an increase of duties against outside countries. But broadly the opposite appears to have happened. Even if the system could be refined to yield a joint advantage to the members at the expense of outside parties, it is doubtful if we should wish to help ourselves in this way when our whole effort should be directed to re-establishing the volume of total world trade by friendly co-operation between all nations. Again, if we maintained an economic bloc of this kind, it would be hard to set our face against the formation of other blocs, e.g. of Pan-America, this would be against our interests and particularly unwelcome to the Dominions.

Some, while sceptical of the economic advantages of the preferences, are attached to them as symbols of Commonwealth unity. But it is dangerous to have an arrangement which in its symbolic aspect represents unity, but in its practical working and effects introduces discord. Polite euphemism and flights of oratory cannot alter the fact that each member can only give an advantage to its fellow member at some cost to itself, and each new interchange of concessions is bound to be attended with genuine doubt as to which party has got the best of the bargain, if both parties have a grievance it will seldom be possible to prove that *either* is wrong, the genuine grievance will be magnified in the imagination of the interested parties. After this war there are bound to be heart-searchings, it is the last moment which we should choose for giving material grounds to members of the Commonwealth for believing that their membership involves them in economic loss.

There is much to be said in favour of adding to the supreme symbol of the Crown some more material joint interest. We believe that it is possible to supply one in substitution for the vexed system of preferences. In the Colonial empire we have a heritage in sore need of economic development. Here is a great challenge. By systematic survey and a scientific study of their resources, it should be possible to raise production and standards of living to levels undreamt of. By comparison with this prospect of economic development our past political achievements in colonial administration, in which we take just pride, will fade into insignificance. Why should not this development become a common concern of the Dominions? Why should we not establish a joint inter-Commonwealth Colonial Office, which would be responsible for the economic development of the colonies under

ence can avail, there will be fair play, and, so to say, generous fair play That is important

In the period before the war there were complaints that he was too much of a gentleman At a time when a ruffian was threatening the world, this quality may have been a source of weakness But when the ruffian is displaced, it may come into its own again It may focus a widespread desire It has the advantage of being already well known both in its strength and weakness It is not the only quality that will be needed in the new situation But it may well be one without which the other qualities will be ineffective This is the opportunity for leadership which the new situation presents to the British character, if taken it may bring fresh lustre on what might otherwise be a period of respectable decline

But all that is thrown overboard if we opt for barter agreements and bilateral clearings Those are like the sharp expedients which sometimes fatally tempt the small-minded man of business, aimed at exploiting a fortuitous bargaining advantage at the sacrifice of goodwill and reputation, they have no place in the conduct of great affairs either in trading or public life If the British descend to that, well, it will merely be the case of another myth exploded, another pompous figure of history debunked

But, all the same, it will sensibly reduce the chances of getting a better world order

Preferences in the Commonwealth and Empire

Despite the general presumption in favour of Free Trade, it is the case that if a country with dependencies makes them give preferences to her goods, she stands to gain, while they lose by having to pay more for their imports If, on the other hand, the preferences are mutual, there is no presumption that there will be a net gain to either party or to the two together If they are so cleverly devised as to yield a net gain to the two together, this must be at the expense of third parties, since the preferences tend to divert trade from the most beneficial channels and reduce the income of the world considered as a whole

The question of inter-Commonwealth preferences must be settled after free and equal discussion among its members It is not for Great Britain to dictate policy, but we hold that she should exert her influence against the system

The advantages that might be gleaned in theory, if the system of preferences were designed with very precise scientific refinement, are not likely to accrue in practice when it represents a

in our willingness to incur any. They will argue that we are using the preferential system in a perfectly straightforward but none the less illegitimate way—namely, to get a protected market for our exportable manufactures, and that we are not giving a full *quid pro quo*.

But this is not the end of the matter. We might in theory devise a system of genuinely mutual benefit, we could not devise one which fulfilled this condition and did no injury to third parties. The preference twists trade from the most beneficial distribution from the world point of view. If both Great Britain and the colonies gain, the loss is thrown on to the third parties. Then they have a legitimate grievance from self-interest. The advantage accruing to Great Britain is directly or indirectly at their expense. We cannot afford to incur this criticism. The question of access to raw materials is affected. The other powers may claim that they cannot achieve sufficient exports to pay for these when their manufactured goods are excluded from the colonial markets.

For a century the policy of the open door has been our pride and glory. We should cling to it. By it our Empire has grown and thrived and foreign jealousies have been reduced to a minimum. It is part of high statesmanship. This will be all the more needed in an epoch when we can no longer maintain our own by force singlehanded. Until the 'thirties our lapses were exceptional, during that awkward decade desperate expedients were adopted by many nations, and, if we also fell from grace, that will not weigh too much against us. Now we must reopen the door.

This does not mean sacrificing tangible gains for the sake of idealism. So long as the preferences are genuinely mutual, there can only be a net gain to us in exceptional circumstances. The main case for preference between us and the Dominions is sentimental and as such has some weight. In the colonial case the sentimental argument does not apply, the economic argument is fallacious. What would be more absurd than for the sake of exceptional, problematic and in any event small net gains, to adopt a system against our age-old traditions which will violently antagonize the rest of the world?

There is one special argument which must be mentioned. It is rightly held that more money should be spent upon colonial development, and it is argued that our own balance of payments will not allow this unless our loans provide a guaranteed market for British exports to the colonies. This argument is weak and damaging to our interests. It is weak because if it is held to be the exclusive right of the colonial power to provide development

the political system of freedom, which is the common creed of ourselves and the Dominions? This joint Colonial Office would work in harmony with the Economic Branch of the Grand Council. It would stand on behalf of the whole colonial empire in the same relation to that branch as the governments of other sovran states.

The question of Imperial Preference must be left to the free choice of Great Britain and the Dominions, taking counsel on an equal footing. The case of the colonial preferences is different. They should be abandoned without more ado.

We believe that the maintenance of our colonial empire is justified by the good work which we have already done and intend to continue to do, and by the fact that no alternative system can be thought of in the present phase by which orderly progress could be guaranteed to the colonial peoples. The international comity has first to prove its powers to discharge those functions of security and economic reform which are indispensable and can be done by no one else, before being authorized to branch out and take over functions that are already being well discharged by the nation states. But we should, of course, be prepared to subscribe to a code drawn up by an international authority for the proper conduct of colonial affairs.

In the performance of our duties we must have due regard for the interests (a) of the colonial peoples themselves and (b) of third parties. This follows as a matter of honour and justice from our signature of the Atlantic Charter. It is no less required by expediency, for if we give grounds either for a charge of exploitation or for the resentment of third parties our position as a colonial power may be so fiercely challenged as to become precarious.

A system of mutual preferences may be devised so as to bring net benefits to the colonies. But it must be remembered that it can only be a *net* benefit, the colonies are necessarily injured to the extent that they have to buy British goods instead of cheaper foreign goods, the magnitude of this injury it would always be difficult to measure, it would be hard to persuade critics that peoples of low standards of living are not rather substantially injured by being debarred from buying manufactured goods in the cheapest market. Against this is set the benefit which they may derive from the preference in our market. It would, however, require the utmost ingenuity and might often be impossible to devise a system which genuinely yielded net advantage to the colonies save at some net cost to ourselves. With our notorious balance of payments difficulties, we shall be reluctant to incur much cost under this head, and our critics will not readily believe

(iii) The British farmer, like other primary producers, suffered much from the violent fluctuations of farm prices. It is to be hoped that international measures to reduce the amplitude of the trade cycle will secure greater stability of general world prices. Furthermore, a buffer stock scheme, if adopted, should reduce the oscillations in the prices of foodstuffs. Our own people will share in the advantages of this. If the world system is not completely effective in achieving this result, the British government should supplement the international scheme by a British scheme for making prices more stable, for example, by an equalization fund. Such a measure would harmonize with and indeed assist international planning.

We believe that the combined effect of these three favourable factors will be to usher in for British agriculture a phase of prosperity unknown for several decades. If the diagnosis is correct, it will do something much more important than reviving the livelihood of farmers, it will re-establish agriculture on a healthy, that is, a self-supporting basis, not subsidized by the taxpayer or the consumer. This would be a most happy result. It would bring to an end the growing division between the ambition of farmers and interests of the general public which has threatened to give an unwelcome twist to British public policy.

In view of these favourable prospects and happy possibilities, we do not recommend as a matter of domestic policy that any measures of special protection to agriculture should be planned at the present stage. As a matter of international policy, we hold that, if there is to be protection, it should take the form most likely to fit in with plans for international collaboration—namely, a moderate tariff, or, better still, a moderate subsidy not accompanied by a levy.

Farming interests are eager to have greater security, and, in so far as this ambition is a protest against price fluctuations which have been greater than those experienced in the industrial field, it is legitimate, and it is met by the proposals under (iii) above. But if we are asked to provide an absolutely guaranteed market for a specified quantity of produce at a specified price, this is going beyond legitimate requirements, beyond what any other industry has ever claimed, and beyond what it would be possible in the nature of things to grant to producers generally. It could only be granted to one body of producers, such as farmers, by giving them exceptional privileges. Some uncertainty in economic affairs is inevitable, it is not due to lack of organization or planning, but to changes of demand and the variability of natural fertility and productive techniques.

money, and other powers are able to do so without attaching the onerous condition that the proceeds must be spent on their own goods, then by logic the colonies should be handed over to those powers. But in fact there is no reason why foreign capital should not be used for the development of our colonies, and the principle of the open door requires that it should be, if insufficient British capital is forthcoming. If the development is not expected to be sufficiently remunerative to attract commercial lending, the machinery of the Loans Committee of the Economic Branch may be invoked.

The argument is damaging to our interests, because we need to gain acceptance for the general principle that funds used in foreign investment should not be applied discriminatively in favour of the goods of the investing country. Whatever money Great Britain may invest in the colonies or elsewhere is likely to be small by comparison with the total foreign investment in the world. Therefore our export trades stand to gain on balance by recognition of the principle that funds invested abroad must not be used discriminatively. But we cannot have it both ways. We cannot use all our influence to gain general acceptance for the principle and not apply it to ourselves.

British Agriculture

British agriculture may be expected to enjoy a revival after the war for three reasons.

(i) The adverse factors affecting the British balance of payments (see p. 61) will necessitate adjustment to a new level. To achieve equality it will be necessary to export more and import less. It will be the duty of the international monetary authority to endorse such an adjustment of exchange rates that this comes about automatically. The majority of the goods we import cannot be made at home, we should divert our purchases from foreign to home supplies where this can be done with least sacrifice, our "marginal" imports should be excluded. These marginal goods will no doubt include farm produce, and domestic agriculture will reap the benefit. It is to be emphasized that this transition will result from the normal operation of economic forces and does not imply any "artificial" protection to agriculture.

(ii) The effect of the Beveridge scheme and other plans for raising the standard of living of the most needy sections is likely to increase the consumption of milk and fresh vegetables in which the British producers have a natural protection. This gain will also accrue without artificial measures.

it is not one which we can recommend as a proper instrument of public policy

Domestic unemployment should not therefore be given or accepted as an excuse for increasing trade barriers

Low Wages Abroad

This is the most vexed question of all, popular prejudice and the true diagnosis are here farthest apart. It is necessary to distinguish between two quite separate motives for desiring better wage conditions abroad, the humane motive and the self-interested one

To anyone seriously bent upon raising wages for the good of their recipients, it soon becomes evident that little headway is possible along the lines of international wage agreements. Conditions and efficiencies are too different. No common yardstick is possible. The only remedy which holds hope is that of increasing the efficiency and thereby the earning power of the low-wage country. This can be done by the investment of capital and technological education, and it will be the duty of the Economic Branch to seek the improvement of conditions in backward regions by both these methods.

The self-interested motive fears that conditions in a high standard of living country may be undermined by lower standards abroad. This view is based on extremely muddled thinking and has been condemned by John Stuart Mill in a famous passage and by economists ever since. Broadly, wages in each country are proportional to the efficiency, on average, of its workers. British people should do well to remember that from the American point of view British labour is paid at sweated rates, and the American tariff is not nearly high enough to compensate for the difference. If wages are fixed too high in relation to efficiency, some unemployment is inevitable, but we cannot reasonably make it an object of national or international policy to get wages fixed so high in countries which compete in our types of produce as to cause unemployment there. If wages are fixed too low, profits will be correspondingly high, we shall have the phenomenon of capitalist "exploitation." This may call for intervention on humane grounds, if that is practicable, but it is foolish to claim that standards in better countries suffer in consequence of such exploitation.

Labour in any country is employed partly on goods and services not by nature subject to foreign competition (retail trade, catering, building, etc.), and partly on goods subject to foreign competition in the home or foreign markets. This section can only

In pursuance of this type of demand, it has been suggested that it would be convenient to impose quantitative restrictions on food imports as a matter of permanent policy. Such a rigid system is in essence unneighbourly since it attempts to make the foreigner carry the whole burden of the uncertainty inherent in human affairs. He would know how to take reprisals. Such a proposal would, as already explained (see "Import Quotas"), sabotage any attempt to revise the flow of international trade. It should be rejected categorically. From the point of view of national interest, it would be less burdensome if the taxpayers made *ex gratia* payments of income to farmers of the full amount which they might hope to derive from the restrictions proposed.

Unemployment

There are two fundamental reasons, apart from temporary frictions, why large-scale unemployment may occur. It may occur because the world demand for goods is deficient, or because the inhabitants of a particular region refuse to work save for a remuneration which exceeds the value of the goods they can produce.

The whole effort of international planning will be directed to remove the former cause. It may be incompletely successful. In a time of world depression a country may increase domestic employment by erecting or enlarging barriers to imports. Such action is in the highest degree unneighbourly. At a time when all the world is suffering from unemployment, it calmly increases domestic employment by throwing an equivalent number of foreigners out of work. If no attempts are being made on the international plane to improve the world situation, this action, though selfish, is excusable. So long as the attempt at collaboration which will follow this war is manfully pursued, the nations should forswear measures of this sort. One article of the commercial code should be an undertaking to make no increase of barriers during a phase certified by the international monetary authority as one of world depression. Nations should on such occasions look after their own unemployed by bringing forward public works and other forms of capital outlay.

If the occupants of a region refuse to work save for a remuneration which exceeds the value of what they produce, unemployment in that region is inevitable. Tariffs are often recommended and applied in such cases and succeed in increasing employment. The true analysis is that they bring about a reduction of "real" wages by raising prices. This is a convenient sleight of hand, when workers are unwilling to accept reductions of money wages, but

CHAPTER V

PERSONAL FREEDOM

Importance of political freedom A political "code" International
Habeas Corpus Positive laws Minorities An educational code
Inducements to adhere Need for action

Importance of Political Freedom

THE MOST URGENT REQUIREMENT for the peace settlement is an adequate plan for collective security. Next we have considered plans for economic collaboration; these give support to the security arrangements, since only if the economic order gives full employment and scope for progressive improvement will public opinion have that healthy tone without which the security provisions, however cleverly devised, will not work as originally intended. The economic plans, of course, do more, they open splendid vistas of a state in which mankind is raised out of the slough of poverty and enjoys that standard of good living and culture which the genius of science makes it possible in principle for all to share.

To complete the picture we need plans to maintain and enhance the political rights of the individual. This might be thought a secondary question, and, since it is difficult, tend to be neglected. We hold that such a point of view is superficial, and that in the longer run, when the present clouds are lifted, the question of political freedom may prove the most important of all. Liberals have always contested the doctrine of *panem et circenses*, the doctrine that if the mass of people are kept content on the side of material comfort, the body politic will be healthy. For one thing, that doctrine can never be given full effect. There is no level of material comfort at which people will be content; the human spirit is inherently restless and ambitious, always claiming the right to something more than it has, it is this spirit that has made man master of the globe. A full stomach does not appease it, this is lucky, since, once man became fully content with his lot, he would soon deteriorate.

But even if the mass of people could be kept in a condition of subservient prosperity, this would not be a safe situation. Although the human spirit is restless, the overwhelming majority of people

produce a limited total quantity of goods. Whatever goods it produces, it will to that extent injure some foreign competitor at home or abroad. Which goods it chooses to produce depends not at all on the general level of wages, but on its relative efficiency (compared with the foreigner) in producing one or other sort. Whether wages are high or low, capital will be directed to producing the goods where the relative efficiency is highest.

Of course, it may be a matter of national policy artificially to foster certain types of industry and these may be the very types in which Great Britain competes. But this policy is in no wise facilitated by wages being low. The profit sacrificed by the artificial diversion of capital from better paying occupations will be the same whether general wages are low or high.

All this line of thinking is quite mistaken, but none the less very influential, and it is incumbent on Free Traders to arm themselves with economic reasoning lest it once more prove a serious obstacle to the general lowering of barriers.

Summary

To summarize, our proposals are:

(i) That the United Nations should take this opportunity for a large advance towards greater freedom of trade on the lines of the Atlantic Charter and the Mutual Aid agreement, and, in particular, that a clean sweep should be made of the new strangling forms of restriction which grew up during the nightmarish interlude of the 'thirties.

(ii) That progress should be sought along the lines of a commercial code, by which adhering nations would forswear certain forms of restriction altogether and set limits to other forms in return for like concessions from all adhering nations, but that the code should not be pressed too hastily upon reluctant nations until positive measures to increase demand and employment had been formulated and created confidence.

(iii) That meanwhile Great Britain should continue to support the unconditional form of the Most Favoured Nation clause, and in the event of a code being adopted by a number of nations should continue to support it, subject only to one form of discrimination being allowed—namely, that between adhering and non-adhering nations.

(iv) That in the colonial Empire the policy of the open door should be re-established, that the question of preferences between the mother country and the Dominions should be settled in accordance with the experience and wishes of the parties, but that the mother country should use her influence against them.

A Political "Code"

Liberals would wish all peoples to enjoy personal freedom and democratic institutions, but there are difficulties, both in principle and in practice, about compelling people to be free. Such compulsion would itself offend against the idea of free self-determination. And, although the plea that certain peoples are temperamentally unfitted for democratic government is often a mere cloak for reaction, it is true that democratic institutions will be stronger and more truly democratic if they have been born and brought to maturity on native soil and not imposed from outside.

A way out of this dilemma may be found in the idea of a "political code," analogous to the economic codes discussed in Chapter II. Nations would be free to adhere or not to adhere or to adhere for a time and then resign. Three features are necessary to the successful working of such a system: (i) The rules which a nation would agree to observe while adhering must be defined with precision in the code. (ii) There must be means of securing that the nations fulfil their obligations under it. (iii) Some advantages should flow from adherence, to constitute an incentive. The political code would be divided into a basic code of individual liberty and an educational code, together with a colonial code for colonial powers, and such other supplementary codes as might be needed to cover special cases.

The basic code would be a sort of charter of the rights of man, containing the barest minimum of contents. It would be well to begin modestly, in order to gain a sufficiently wide agreement for beginning at all. We suppose that the Grand Council will set up machinery for political, as well as economic, collaboration. This machinery, which will be new and therefore delicate, should not be loaded in the first instance with burdensome tasks. Starting with limited aims, its work should grow and proliferate. It should be an organism capable of bringing to life other organisms, as opportunity offers, in the light of experience.

The principle underlying its method of work should be the exact opposite of that governing security arrangements. In the case of security we want the machinery set up at the outset to be definitive, plainly sufficient to its tasks, and outside the realm of further discussion or controversy, it is for this reason that we have proposed to set up an independent body, the International Executive, which will be able to proceed with its duties largely without troubling the Grand Council. In the more constructive task of guiding mankind to an ever higher degree of well-being and enlightenment, flexibility is essential, public discussion valu-

do not on their own initiative seek an outlet in *war*. Small ruling oligarchies, however, may look at the matter differently, and have recently done so to our cost. They may exploit the spirit of adventure and direct it into unnatural channels. It is supremely important, therefore, that governments should in one way or another be kept in constraint by the spontaneous wishes of their peoples.

We have to take account of certain new factors in the world political situation—namely, modern propaganda methods assisted by wireless telegraphy and the more collectivist organization in all countries, which has automatically enhanced the power of governments whether they wish to use it autocratically or not. Against these dangerous possibilities we need some counterweight. Governments everywhere have the opportunity, hitherto unknown, of subjecting the minds and bodies of their people to complete thralldom within a short space of time, this may remain a standing temptation to them, it is for the whole comity of nations to stand together and redress the balance of power between governments and the peoples they govern. A government which has deceived and bemused its people, and at the same time has an administrative stranglehold upon them, may be a great danger to the world even if it has no arms. In the last resort, as we have seen in Chapter I, any system of international security presupposes some measure of reasonableness and goodwill in the greater number of countries which have to work it. No system is proof against sabotage if the greater number of governments become determined to sabotage it. Now we may rely on the prevalence of a sufficient degree of reasonableness, if the governments reflect the spontaneous wishes of their peoples. Otherwise there is danger. A number of determined and ambitious governments, which have freed themselves from the restraint of genuine public opinion and set up a machine for manufacturing a spurious public opinion, may well be able, even if they are unarmed at the outset, to intrigue their way out of the meshes of a security system and present a united front and menace to the world.

This new-found power of a modern government may prove in the end a greater danger than the most forbidding weapons of destruction. It is itself a new spiritual weapon of the first order. It is unlikely to be a danger in the decade after this convulsion. We shall have a respite to plan against it. It is a more subtle danger than armaments and more subtle antidotes are needed. We should do well to begin to concert our measures at once, before peoples are lulled once again by peace into a false sense of security.

has broken the law of his country and been duly tried in recognized courts. The methods of the Gestapo offend against the most elementary principles. This right may alternatively be called the rule of law. Let nations make what laws they like by whatever means their constitution provides. Granted those laws, which must be public, the citizen who obeys them must be immune from arbitrary arrest. Englishmen have for centuries connected this elementary right with the writ of Habeas Corpus.

International Habeas Corpus

This suggests a method by which enforcement of the right could be brought within the purview of an international body. Why should there not be an international writ of Habeas Corpus, which would run within territories of nations subscribing to the code? If a man were detained in prison for more than a certain period without trial in a recognized court of justice, any relation or friend could apply to an International Court for a writ of Habeas Corpus. This Court would have premises in each country and diplomatic privileges for its correspondence, those premises would have a public letter box. The International Court could only take cognizance of one point—had the man detained been tried by the due processes of law as recognized in his country? If the Court was satisfied that he had been so tried, the matter would lapse, otherwise it would call upon the national government either to expedite the trial or release the man.

The Court would report any failure to implement these instructions to the Committee on Political Rights. In the event of repeated failure, this committee would strike the nation off the list of countries subscribing to the political code, and the offending nation would thereby lose any privileges attached to membership. We need not suppose that the system would be absolutely watertight or that every method of evasion could be prevented. But it should be impossible for any country to organize a mass suppression of individual liberty without the matter coming within the cognizance of the Court. Arrangements might have to be allowed for the suspension of the international Habeas Corpus in times of civil commotion. Legal experts could no doubt frame the necessary safeguards.

Positive Laws

This international Habeas Corpus would operate to establish the rule of law, it would not by itself involve any supervision over the contents of the law. But with such machinery established, it would

able, and each solution of a problem should only be regarded as a stepping-stone to something still better. There is no need for finality. On the contrary, the system should progress and expand, and statesmanship should constantly be seeking out some fresh line of advance.

Adherence to the basic code, and to any supplements thereto, which may be made subsequently, would be voluntary. The Committee on Political Rights, so to name the body put in charge of this matter, would thus proceed on lines similar to those of the International Labour Office, and would do well to learn from the experience of that organization.

A country may enact a fundamental law, embodying the rights of the individual, such as the freedom of the Press, but the position may remain unsatisfactory if it is not properly enforced. We should therefore consider whether means can be found for allowing an international committee to take cognizance of the methods of enforcement, without vexatious interference with national sovereign rights. These means must be devised with care and tact, so that they shall not serve as a deterrent to a nation which is disposed to subscribe to the code. On the other hand, it is probably better to forgo some members at the outset rather than allow nations to subscribe to the code without also agreeing to the international supervision. We wish the code to be a reality, and it is better to go slowly than to have a spate of enactments at the outset which prove in the long run to be mere waste paper.

It is supposed that colonial powers will be asked to subscribe to a code of colonial standards, and to consent to some supervision. This too should be devised most tactfully so as not to undermine the loyalty which colonial peoples feel to their protecting power and so impair the good work which such powers as the British, the French and the Dutch are doing, each in their own individual and totally different ways, to educate backward peoples. The good work depends almost entirely on the personal relations between citizens of the colonial powers and the colonial peoples, and it would be imperative to keep the international committee severely in the background.

This proposal for colonial standards gives an added reason for establishing a code of rights among more advanced peoples. Why should a Nigerian, however praiseworthy, be carefully protected, while an honest German Communist—or Liberal, for that matter—is allowed to rot in gaol because he has said something displeasing to his government?

The first article of the basic code would be the right of personal or bodily liberty. A man must not be detained in prison unless he

and apply to all nations whether they sign the political code or not. Capital in this category should be exempted from any laws or orders, which the country might have, forbidding or restricting the export of capital, but if the country could show that the sums involved were so great as to cause embarrassment, it would be entitled to receive a credit, repayable at a specified date, from the Economic Branch. Such an arrangement, while safeguarding the freedom of minorities to move, would provide a financial incentive to governments not to treat them so badly that they wished to move.

An Educational Code

One very important freedom is that of education. If the educational system is liable to be twisted and perverted to suit the political interests of a government, all other freedoms are likely to languish and die. When the war is over, fascism will be dead. But who in 1918 could have foreseen that the glorification of ancient tyranny and blood lust would reappear within a few years and gain such a hold upon peoples in this new-fangled guise? And who can foresee now what new false gods may not be born in the coming time, no more vicious-looking in infancy, perhaps, than some castor oil and a more punctual railway service? We hope that the environment will be unpropitious. We cannot, however, be sure, nor shall we necessarily be able to suppress them at birth. But what we can do within the ambit of those nations which subscribe to the political code, is to ensure that the new ideas have not the advantage of the suppression of the knowledge of all other points of view among the young people who are being educated.

It may be useful to formulate an educational code not only as part of a political code, but also with reference to the ex-enemies. It may be desirable to impose some educational code upon them, or, if this is too drastic, to make their admission to it for at least a generation a condition of their subsequently being re-admitted to full equality of status in the comity of nations.

Formulation is not an easy matter. We do not desire to impose ideas upon nations from outside, we do not want to restrict their freedom to evolve their own philosophies, we do not want to sit in judgment on new ideas, we do not want to suppress any ideas, however false or vicious we may believe them to be. But we do want to secure that students shall not be the victims of lying propaganda, and shall have a reasonable chance of forming their own judgment in all great subjects where there is difference of

become practicable to require in the basic code that there should be certain positive laws favourable to liberty in subscribing countries. There would be some guarantee that the laws would not be mere paper declarations, but would be actually enforced. The code should include a minimum list of positive laws, save that where individual liberties were adequately covered by case law this would be recognized as sufficient.

This list should certainly include that Freedom of Worship promised by President Roosevelt. Freedom of speech and of the Press are more difficult to define, but they must not be omitted. It is to be hoped that the list would grow in the course of time and the light of experience. New proposals would be brought forward for discussion at the political committee and referred to subscribing members for consideration. They should be given publicity in each country. A guarantee that adequate publicity would be provided—for example, by discussions in radio programmes—should be one of the articles of the basic code itself. These discussions should evoke mutual interest by nations in each others' problems on lines not likely to promote friction, and gradually create a solidarity of world feeling in favour of individual liberties.

Minorities

The basic code would save racial minorities from ill-treatment in contravention of existing laws, it would thus go far in protecting them from severe forms of persecution. There are, however, subtler forms of ill-usage, it would, for instance, be beyond the power of an international authority to secure them genuine equality of opportunity in earning a livelihood or advancement in a profession. No law can compel men to love their neighbours against their will—or to employ them.

Opportunities for individual or mass emigration should be given, and financial assistance. Since it is both a national interest that discontented racial minorities should emigrate, if opportunity offers, and still more a world interest, since these minorities are a danger to international peace, financial assistance should be sufficient to cover costs of movement. The burden should be divided between the national and the international authorities. The right of racial dissenters to such assistance from the national government, where a scheme of migration was approved and in part financed by the international authority, might be included in the basic code. Emigrants belonging to racial minorities should be allowed to realize their property and take the proceeds with them. This right should be embodied in the peace treaty,

of drawing the line between patriotic sentiments that are human even if a little vain, and the glorification of war as such or propaganda for some future military resurgence

The international committee would therefore have to exert great tact in its censorship. It must avoid rigid uniformity, it must not take its stand on formal points; above all, it must have a sense of humour. To secure this it should comprise not only men of high academic standing, but also men of wide literary culture, who would save the committee from falling a victim to pedantry or formalism. The League Committee on Intellectual Co-operation at one time included Henri Bergson, Professor Gilbert Murray, and Professor Einstein among its members. A committee with this kind of membership could be relied on to take a broad view.

It would probably be useless to supply an international panel of lecturers for schools, schoolboys would react very badly to them. Nor is inspection of form work likely to be helpful. The best method of inspection would be an occasional scrutiny of question papers and answers in the various official examinations. This need not be confined to papers on the subjects of the "international" periods, but should be extended to any papers set. The answers of schoolboys are extremely revealing. The international committee would have cognizance of the various times and places at which official examinations are held, and would arrange that inspection should take place without any notice until after the answers had been written. The examiners, who must be men of high standing and great judgment—the quality of the inspection is more important than its frequency—would report to the international educational committee, and the reports or selections from them would be published. If the educational authorities in each country had goodwill, they would take advantage of the reports to introduce improvements. An educationalist worthy of the name could not fail to be interested in the findings of an impartial international examination board. If the reports were persistently unfavourable and showed that the government was abusing its powers and systematically perverting the truth in schools, the country would run the risk of being struck off the list of subscribers to the political code. If any movement of the scale and malignity of National Socialism appeared, the matter might well be reported to the International Executive.

At universities the crucial matter is the appointment of professors. Here we are at the very heart and centre of independent thinking and enquiry in the nation. If the universities are

opinion, each side of the case should be adequately presented to them.

The chief subjects in question are history and what may be called political science. Both are fields of controversy. About the broad facts of history it should be possible to reach a consensus of opinion, within limits, between great experts drawn from various nations. Political science is more difficult, here there can be no final agreement, and Liberals would not think it desirable to attempt to reach one, but though there can be no settled doctrine about what is ultimately right and true in this field, experts should certainly be able to agree about what have in fact been the most important ideas that have been expounded by great thinkers and have swayed mankind. It is rather therefore on the *history* of political thought than on first principles that men from different nations should be able to agree on what ought to be presented to a student.

In subscribing to an educational code nations might be asked to guarantee (1) that two weekly hours of school-time—or whatever the appropriate period, having regard to the age of students and standard of education in the country—be set aside for world history and political science and (ii) that in those hours certain approved books—or radio programmes—should be made use of. These books and programmes would be passed by an international committee.

In the case of modern books the committee should seek to get them written by nationals of the country where they are to be used. In most civilized countries there are scholars of high standing capable of treating these great themes in an impartial way. It is much better to have home-made textbooks. Work by a foreign hand is bound to offend by indefinable divergences of taste and feeling, which may be trivial in themselves, but would serve none the less to alienate the student. A standardized international textbook would be too cold-blooded to be truly educational, and would tend to establish a rigid uniformity of doctrine which we wish to avoid. There is no reason why books used in what we may call the “international” school hours should not be infused with a warmth of patriotic feeling, otherwise they may fail to grip and will then not achieve their purpose. Students will react against what they are taught in favour of lessons in other parts of the curriculum, and there can, of course, be no question of bringing the whole curriculum under review. Some concession to natural sentiments of pride and self-regard should be permitted. There is no reason why Germans should not be told that German prowess in war is unsurpassed. It is a question

a particular nation or area will also be expected to benefit the world as a whole. It would be wrong to allow depression to gain hold in a region merely because it had failed to subscribe to a political code.

We suppose that nations adhering to the code would constitute an inner club or association within the larger comity of nations banded together to maintain peace. This Political Association would be open to all. What would the privileges be?

It is only possible to be very tentative at the outset. But this is not a fatal objection. The tasks of political co-operation may be expected to grow. They are only dimly discernible as yet. A war-distracted world cannot be expected to see the paths of future progress clearly. In the peace treaty we should make a beginning and form the nucleus of what we hope will be a live organism. The very vagueness about what the Political Association should or can do, so far from discouraging nations from joining, should make them rather anxious not to be ineligible for its benefits, which although not fully defined may in the end prove substantial.

In the first place, certain administrative or supervisory duties may be assigned to the Political Association. For instance, backward countries such as Abyssinia or Thailand, which are not under the care of any particular colonial power, may seek political assistance from the United Nations in the management of their internal affairs. Only members of the Political Association should be allowed to serve on the committees set up and to supply any personnel required. This seems reasonable. Nations which have not set their own houses in order are not well qualified to guide others. Shall the blind lead the blind? This provision would give prestige and even some measure of power to members of the Association, as well as some extra employment and scope for their citizens of administrative talent.

Secondly, mutual privileges might be given to the citizens of member countries. We should look forward to a greater intermingling of peoples after the war. Students, teachers, technicians should be encouraged to travel, not only by way of holiday and sightseeing, but to broaden their knowledge of their own work, to pay prolonged visits and interchange their jobs. A beginning had been made by universities before the war, but the practice should be greatly extended and cover all professions and trades, even to skilled factory workers. This may provide a field for specially favourable treatment of member countries by such means as relief from double taxation, travel grants, etc.

Thirdly, before many years have passed the whole question of emigration may become prominent once again. The great

dragooned, there is little chance of free intellectual life. If professional appointments are dictated by political motives, the integrity of the universities is undermined. Subscribing nations should agree that the committee responsible for considering possible candidates should have in attendance a foreign expert in the subject who would be appointed by the international committee. He would have no power to influence the result, save by his arguments, and he would be instructed to confine these to the professional merits of the candidates. He would not expect the best specialist to be chosen on every occasion, for there are usually other relevant considerations in such a choice. But he would know the candidates well enough for it to be plain to him if there was gross political bias. And he would report accordingly to the international committee.

Adverse reports on these delicate questions would not necessarily lead to drastic measures. These delinquencies, unlike acts of violence, are a fit subject for methods of conciliation and peaceful persuasion, a little progress is better than none at all. The Grand Council would gradually devise weapons for prodding national governments without wounding them.

The educational code might cover more than the training of the young. Similar principles could be applied to adult education. And above all there is the wireless, with its steady influence on the minds of citizens. Here too "international" items could be inserted at intervals in the principal national programme. Discussions of the "Brains Trust" kind could be organized under the aegis of the international committee, though without necessarily involving participation by foreigners.

Inducement to Adhere

It remains to consider what inducements can be offered to nations to adhere to the political code. This is a difficult matter. The inducement must not be anything connected with security. Peace is indivisible and security provisions must be comprehensive. No nation, however politically obnoxious, must be left outside.

Nor would it be proper to offer an economic incentive to adherence. Economic prosperity, too, is indivisible. Plans for mutual aid in economic matters must be based on the merits of the case. Economic inducements may in certain cases be related to adherence to an economic code, e.g. low tariffs may be granted to nations which keep their own tariffs low, funds for loan expenditure to nations which keep step in concerted measures to reduce the trade cycle. Economic measures designed to benefit

to attend to any ideas save their own, or to believe that other peoples, whatever doctrines they might write, preach or proclaim from the housetops, really meant anything by them. To such old-fashioned Britons, German national socialists were ordinary good fellows like themselves, and the democratic ideals of communism, if they had heard of them, empty talk. We cannot afford to base our foreign policy in the coming period on this kind of complacent ignorance.

Liberals are doubtful whether political freedom in the fullest sense is likely, as a mere matter of practice, to be achievable in a collectivist economic system, but that does not lead them to doubt the sincerity of communists in making political freedom their aim or to suppose that they would be bad colleagues in an enterprise to increase the amount of political freedom in the world.

Need of Action

While the setting up of machinery to maintain peace will be an imperative and urgent task, requiring quick, clear-cut decisions and commitments, the task of maintaining freedom has to be approached in a more tentative manner. Our aims will in the first instance be necessarily unambitious, our sanctions weak and our mode of progress based on the voluntary system. Some may feel that in the press of urgent problems which will beset us after the war these vaguer aspirations might well be postponed for the time being. We disagree with that opinion.

Hopes have been held out that victory is to bring suffering humanity relief from oppression. Overthrow of the Axis tyrannies which now grind down their own and other peoples will bring some fulfilment. But the fulfilment will not be complete if no regard is paid to the character of the new governments which are established in the vast regions now under Axis sway. It is true that our powers are limited. We cannot guarantee good government everywhere. But we should not wash our hands of the matter entirely. Within our powers, we ought to make some effort to secure that people do not fall under renewed oppression. Else there may be an even more thorough-going disillusionment than that which followed the Peace of 1919 and so weakened the will to resist aggression in the decade before this war.

Summary

To summarize, we hold

(1) that the United Nations are bound by the spirit of their declarations to make some attempt, subject to the freedom of nations to determine their own internal affairs, to establish and

differences between birth rates in different countries will after a time cause great changes in the relative densities of population. New World countries which are no longer replacing their own numbers may become more hospitable. Emigration is no doubt largely governed by economic factors, but there is also an important political aspect. Countries are unwilling to admit immigrants who may be a disturbing political element in their society. It would therefore be natural and proper for receiving countries to give larger quotas to countries whose citizens had been well trained in the civic virtues at home. This principle could be given formal shape by an agreement to award priority to the citizens of countries which had adhered to the political code. This arrangement would not, of course, be used to bar entry to racial minorities or other sufferers from persecution. Thus a government which chose to persecute would find its majority excluded from golden opportunities, which were open to the victims of its spite.

Russia

Russia should be invited without misgiving to assist in formulating the political code. Its main principles are not inconsistent with, but on the contrary are endorsed by, the doctrines of communism. It is true that they have not always been applied in that country in the period 1917-39. But the time for casting stones is over. Let us remember the appalling difficulties with which the Government of Russia was then faced, alone in a suspicious and hostile world, and confronted in the later part of it by a neighbour of mighty strength, which openly proclaimed a determination to subjugate her. These were not normal conditions.

If Russia finds certain administrative difficulties in the kind of code which Anglo-Saxon lawyers would be disposed to formulate, this might lead to valuable amendments likely to make it more effective in countries not imbued with Anglo-Saxon traditions. With the main object she should have sympathy—to make it impossible for an autocratic oligarchy to distort the natural peace-loving inclinations of a people into a will to make aggressive war.

Some British people tend to be sceptical about the desire of the Russian Government to establish conditions of personal freedom in Russia. They are usually totally ignorant of the origin, history and development of the doctrines of communism. They make the same mistake that they made about national socialism, when they illustrated their complacent unwillingness

believe in the value of maintaining a variety and diversity of national types, as a safeguard of genuine liberty and a condition of progress. We do not wish to see differences ironed out in the interest of a uniform world-state, an oppressive and omnipotent Leviathan. Each group has its own historic modes of social adjustment, which give to the individual opportunities of self-expression that could not be guaranteed by any international formula. He draws strength and sustenance from the forms and usages that have been handed down and are woven into the fabric of the traditional lore and the literature of his country. But these national characteristics would lose vitality and wither, if the national units were too much denuded of power and reduced to a mere provincial status.

Then again, if the world super-state is over-emphasized in our plans, we run the risk of putting too much faith in a mere paper constitution. It is easy to devise a Utopian world-state in theory, but our projects may degenerate into phantasies, and by dissipating our energies on grandiose projects we may lose our grip on the more restricted but indispensable tasks which must be tackled internationally if our civilization is to survive.

And again, we must have strict regard to what is practicable and likely to win support. In this matter we have to pay attention not only to the small European states, thus dissenting from those who view their claims with a measure of impatience, but also to the great powers themselves which have to be the buttresses of future peace. In particular, we must not base everything on the ascendancy of one point of view in the United States. We must certainly provide a framework within which the United States would be able to deploy all her resources in assisting world progress, should the collaborationist sentiment prevail there, but this framework should not involve commitments that would be regarded as excessive by adherents of the doctrine that has been described by the formula, "Live and let live." Again, the extent to which Russia is willing to collaborate is still unknown.

Four Basic Ideas

In meeting this dilemma, we have used three basic ideas

1. First, within the field of international collaboration, a distinction should be drawn between those tasks which are indispensable to peace and order, and those which will promote prosperity and progress. The former should be regarded as mandatory, the latter as optional. We have suggested that the commitments required for the task of maintaining world peace should be defined precisely, in the peace treaty itself. Thus each nation

maintain personal freedom, both as a good thing in itself and as a safeguard against autocratic oligarchies fostering anew the spirit of aggression,

(2) that we should proceed by means of a political code, to which nations would be free to adhere or not, divided into a basic code of individual liberty and an educational code, both to be supplemented from time to time through the machinery of the Grand Council, together with a colonial code for colonial powers and any other additional codes that might be necessary,

(3) that adhering members should agree to the enforcement of the basic code by an international writ of Habeas Corpus and of the educational code by the inspection of question and answer papers and the presence of an international observer at the selection of university professors, and

(4) that there should be incentives to adhere to the code in the form of preferential treatment for citizens of members on temporary visits and in regard to exchanges of appointments and jobs, including those of manual workers, and in the form of preferential treatment for emigrants, and in the assignment of administrative and technical appointments in schemes for economic development and technical instruction arranged by the international authority for backward countries,

(5) that such codes should not be relegated to the category of pious Utopian aspirations, but should be regarded as important and integral elements in a plan for maintaining world peace

CHAPTER VI

NATIONAL SOVRANTIES AND THE COMITY OF NATIONS

Safeguarding national rights Four basic ideas Powers of Grand Council Constitution of Grand Council Membership Question of ex-enemies Ex-enemies and the comity of nations

Safeguarding National Rights

GREAT CARE HAS BEEN taken in presenting a programme in the foregoing chapters to have regard to the susceptibilities as well as the just prerogatives of the nation states This care may be justified on various grounds

On the one hand, it springs from liberal philosophy itself We

of redundant to those of deficient savings where the private profit motive is insufficient to get the money to move to distant parts, or where the operation of private enterprise would have undesirable repercussions

These functions alone are of no little importance and, if well discharged, would make a vast difference to the world economy. But the list of functions is not closed. Just as the functions listed, though quite familiar to thinking people to-day, would have seemed hair-brained or incomprehensible to the peacemakers of Versailles, so we may be sure that other tasks requiring international collaboration will come to appear of urgent importance in the course of the next twenty-five years. Science and technology are likely to have many surprises in store. We know that the trends of population increase in various parts of the world will undergo spectacular changes, but it is too early to chart out the economic problems to which they will give rise.

3 Thirdly, we believe that between the alternatives of assigning a merely advisory or co-ordinating role to the international institution, with its corollary of impotence, and assigning a coercive role, which involves unacceptable inroads upon national sovereignties, there lies a *via media*. If an international institution is authorized to conduct economic operations, it can thereby exert power and influence the course of events without any coercive functions. The true source of this power without coercion is *confidence*. If an individual set himself up to conduct operations for the general good involving cumulative liabilities of some thousands of millions of pounds, he would soon be frustrated for lack of power to raise money, he would not attract the necessary confidence.

We believe that the principal tasks of the Economic Branch of the United Nations will not entail unremunerative outlay, but purchase, sale and loan. One, but only one, example of this is seen in the proposed functions of the Clearing Union. In the first instance the Economic Branch may have to be underwritten by the governments of the United Nations. But once it is properly floated and at work it should be able to acquire its capital-resources, without guarantee, from the world public.

To these three basic ideas, we may add a fourth.

4 The powers of the international body, which we have called the Grand Council of the United Nations, should be set forth in a fundamental constitution. This constitution would provide for action along two lines. On the one hand, the Council would be empowered to introduce new codes by a majority vote, but every nation would retain the right to opt out, thereby forfeiting the

would know the limit of what was required of it, and be asked to pledge itself unconditionally. The sentiment in favour of peace should be strong enough to secure the necessary support. We have suggested that the duty of implementing the policy of preserving peace should be entrusted to an International Executive whose terms of reference would also be defined in the peace treaty.

This principle might be applied rather more widely. In the economic sphere a distinction may be drawn between the minimum requirements of order and constructive plans for progressive improvement. It could be argued that some plan of the type of the "Clearing Union," or the "Stabilization Fund" proposed by the Americans, embodies that minimum amount of international monetary regulation which is a presupposition of all other plans. In that case it might be well to embody the charter of the Clearing Union (or similar institution) in the peace treaty. If any other economic institution of an equally fundamental character, for instance a Loans Committee, is devised, the same procedure should be applied.

On the other hand, where functions proposed, however beneficial and desirable, are not indispensable, they may be entrusted to machinery to be devised from time to time by the Grand Council of the United Nations. In their case the nations would not be required to make commitments in advance, their prerogatives would be fully safeguarded, they would retain their right to stand outside any scheme proposed. The constitution of the Grand Council would be democratic in character. It would provide great opportunities for progressive measures, if most nations were co-operatively minded. Meanwhile the indispensable machinery for the maintenance of peace would continue to function, even if nations were unwilling to make further commitments in the cause of progress.

2 Secondly, it is contemplated that the growth of international collaboration will come mainly not by the transference of functions from national governments to an international authority, but by the assignment to an international authority of functions which have never been and in the nature of things cannot be undertaken by the national governments. By this means the growth of the world-state may be a painless process. Examples of such functions are the provision of an international monetary system, treatment of the trade cycle in so far as its incidence is worldwide, the steadying of the world price level, maintenance of the required scale of capital outlay in the world, conservation and improvement of natural resources where this is beyond the means of national governments, and the transfer of savings from regions

unitary states. Fusion would require the full consent, not only of each of the component states, but also of the Grand Council, which in reaching a decision would give weight to the adverse effects of any such arrangement on the confidence of neighbouring states

It is not easy to see how big a part such political adjustments ought to play in the new order which we contemplate. Political frontiers and sovereignties will remain of importance. On the other hand, the need for greater collaboration and cohesion in a region containing separate national states may be satisfied in alternative ways. A region such as the Balkans might set up a joint Currency Commission or Investment Board to represent the collective interests of the states in their dealings with the Clearing Union or Loans Committee of the Economic Branch. Just as on a world scale the institutions set up by the Grand Council may serve to bring the peoples of the world into collaboration without the sacrifice of sovereign rights, so similar institutions with regional scope might create a still closer integration inside a region. This might be a less painful way of getting the necessary unity of planning and purpose in a region than by the abrogation of sovereignty on the part of nation states. The regional bodies would not take over any work proper to the international bodies of world scope, on the contrary, the existence of the international bodies might create a need for regional bodies as well.

4. It is important to maintain the complete independence of the International Executive. Other institutions, such as the Clearing Union, whose charters might be embodied in the peace treaty, need not be equally independent. We propose some such arrangement as the following. The Grand Council on expert advice might decide that it would be desirable to modify the charter of the Union, e.g. by monetizing silver, or giving a commodity basis to Bancor (or Unitas). It would then proceed to find out how many of the governments of signatory nations agreed to the change. If a majority of governments agreed, there would be a *prima facie* case for change. But dissenting nations could not be coerced, since their commitment in joining the Union would have been defined in the peace treaty. If, however, the Grand Council deemed that the change would entail large advantage, it should be open to it to invite dissenting nations either to agree or withdraw from the Union, subject to all their existing claims upon it being met in full. Thus each nation would maintain liberty of action, but the majority would not be completely impotent to introduce fundamental improvements.

It should be observed that this proposal places great power in

benefits of adhesion while refusing to undertake the liabilities Secondly, there would be economic operations, subject to the laws of each state where the operations took place The constitution would provide that the principles governing the operations would be such as to exclude favouritism or victimization, that in every case the operations should be designed to promote a general interest and be capable of assessment by an objective criterion Before authorizing a new type of operation the council would be compelled to publish its governing principles, these must fulfil the requirements specified in the constitution, in case of doubt there should be an appeal to a permanent judicial tribunal, to be called the Constitutional Court, whose members would be appointed, not by the Grand Council, but by the heads of member states in rotation

Powers of Grand Council

It would be premature to put forward a constitutional draft in detail We attempt to summarize certain broad categories of function

1 The International Executive would not derive its powers from the Grand Council, but from the Peace Treaty But it would report to the Grand Council on action taken, and the Grand Council would make the necessary representations to the nations concerned in any incident

2 It would be the duty of the Grand Council to maintain in being and propose improvements in the machinery for conciliation and arbitration in international disputes Save in specific matters where there were already agreements for direct resort to arbitration, conciliation should always precede arbitration But nations would be bound in the last resort to submit disputes to arbitration

3 It would be the duty of the International Executive to maintain the territorial *status quo*, consequently submission to compulsory arbitration would not lay any nation open to the danger of being deprived of its existing territories But in order to make territorial adjustments possible the Grand Council should develop machinery for securing "peaceful change" This by definition means change to which both or all the parties concerned have agreed The occurrence of any such change would be reported to the International Executive

Such changes might include not only alterations of frontiers, movements of population, the grant or surrender of economic concessions, but also the formation of customs unions, and even the fusion of hitherto separate sovereign states into federations or

for the purchase of the goods of any particular nation and that loans shall be distributed impartially among nations in accordance with certain agreed economic yardsticks. But much will remain to be decided, depending on the unpredictable trend of events in future, and more than could properly be left to pure administrators. Questions of principle will have to be settled, and what more appropriate body than the Grand Council itself? Provided that no compulsory levies are made, save for some nominal sum such as a penny a month which should be prescribed in the peace treaty, and that no nation is compelled to receive money for unwelcome development, there should be no objection to leaving the Grand Council a fairly free hand.

Constitution of the Grand Council

The Grand Council will have legislative, executive and judicial functions. "Legislation" is not here used in the ordinary sense, but to cover decisions of principle in the exercise of its powers as listed in the foregoing paragraph. A new word is wanted to describe this new kind of constitutional function. We hold that the legislature should be elected directly or indirectly by the peoples themselves. This would be a great advance upon the constitution of the League of Nations. It is a proposal of its nature not likely to appeal to any government as such, whatever its political complexion, and it is one therefore on which it is important that British public opinion should take a firm stand.

If legislators are nominated by national governments, they necessarily reflect the temporary political complexion and the sectional interests of those governments. An altogether different spirit is needed for the new international institution. It should be governed by a disinterested view of world affairs. The opinions of individual members are bound to be to some extent coloured by their national prejudices. This in itself would give a sufficient guarantee that those prejudices would not be overlooked.

Geneva suffered from the discontinuity in the policy of democratic governments and discordance between the great democratic powers. Thus a government of the left was apt to come into power in England just when there was a swing to the right in France, and conversely. These changes of government were mainly determined by domestic political issues, the consequent changes in League policy were mere by-products, yet none the less mischievous. If representatives were chosen by a popular vote, especially by proportional representation, there would be much greater continuity of policy and more accord between the

the hands of the Grand Council, without encroaching on national sovran rights. It could not insist on any nation adopting a change which would be uncongenial to it. But the decision whether to introduce a reform at the price of loss of membership would be a political decision which might evoke great interest. The case for and against might be widely canvassed and the reform be embodied in the programmes of candidates for election to the legislature (see below). Thus a worldwide interest in the international organ of government might be aroused, without any danger to international security or prejudice to national sovranities.

5 It would be the duty of the Grand Council to propose and introduce political and economic codes. The possible contents of some of these have already been discussed. Adhesion to the code would be optional. But this does not mean that the Grand Council would be without power. With it would rest the initiative, the machinery for securing agreement and operation, the decision whether agreement was sufficiently broad to justify adoption, the maintenance of judicial tribunals for settling disputes under the codes, and the application of certain kinds of sanction. Thus we have seen that a political code might comprise arrangements by which subscribing members gave differential privileges for the admission, temporary or permanent, of the citizens of other subscribing members. Such sanctions would form a perfectly proper part of a general code, but are regarded as invidious and provocative if adopted by a nation unilaterally against the citizens of a neighbour. In the case of a tariff code, reciprocal concessions are doubtless often arranged under the existing machinery for tariff bargaining, but the Grand Council would be an impartial arbiter of the equity of mutual concessions, a tribunal could be set up to deal with modes of evasion, such as discriminatory classifications, and it could be arranged that subscribing members should qualify for other economic benefits, such as preferential treatment by the Loans Committee.

6 In the sphere of economic "operations," the powers of the Grand Council would be still greater. It is true that in the case of the Clearing Union, whose scope is technical, the original charter might be so detailed that decisions could be left to the governing committee, and the only concern of the Grand Council would be occasional changes in the charter. But this will not be true throughout the economic field. Thus the Loans Committee may be governed by certain broad rules from the outset, such as that in placing issues it shall have regard to the balance of payments of the various countries, that funds lent shall not be earmarked

were ten such questions, the list could be arranged in about three and a half million different orders. No voter would know the order on his form until confronted with it in the booth, thus preliminary cramming would be impossible. Considering the high proportion of voting papers of English university graduates that are disqualified for faulty entries, although it is only necessary to write the numbers 1 and 2 against the preferred candidates, this system should produce satisfactory results.

Legislation would be by majority vote. Security questions having been removed from the purview of the Grand Council, and the limits of its constitutional powers having been strictly defined with due regard to national sovereignties, the principle of the *liberum veto*, so hampering to the League Council, could be dispensed with altogether. Member nations may not agree with all that is done there, but, since they will know that their vital interests cannot be threatened, they should be prepared to acquiesce; to give each nation the right to hold measures up by dissenting would be to stultify the Grand Council completely. It will be remembered that if any new code is proposed involving commitments, each nation will be free not to subscribe. A minority of nations may thus opt out of any code, but it would be for the majority of the legislature, having ascertained how many nations would subscribe, to determine whether the code along with its sanctions was to be introduced.

It is not necessary at this stage to put forward a detailed scheme for securing the responsibility of Ministers to the legislature.

Membership

It is supposed that the constitutional powers of the Grand Council would be formulated at the peace conference in terms that would satisfy most, if not all, of the United Nations. The door would be thrown open to other nations to join, subject only to their accepting the fundamental constitution.

Bare membership should entail certain privileges. Further privileges could be obtained by subscription to one or more of the codes.

Question of Ex-Enemies

Despite her black record of guilt and crime in the planning and execution of this war, it is inevitable that history should repeat itself and that after a certain lapse of time two points of view should be held about the proper treatment of Germany.

democratic powers Member nations would allow officers of the Grand Council to supervise elections with secret ballot in accordance with regulations required to secure true freedom of voting . -

There is no reason why membership of the Grand Council legislature and of a national government should be held to be inconsistent Each of the great national parties would be at pains to be represented, and thus in such a country as ours at least one representative on the Grand Council would probably be in the Cabinet While in this dual position he would necessarily reflect the views of his government It would be quite improper for him to attempt to influence the views of other British representatives, but his position would add weight to his own views and thereby give our government quite enough influence on the proceedings

Some might feel doubt about the sense of responsibility of a popular electorate in choosing the right people This is misplaced Governments, indeed, do not always send ideal representatives To give a concrete illustration, in the last twenty years Lord Cecil, Professor Gilbert Murray, Austen Chamberlain, and, in the latter part of the period, Mr Anthony Eden would probably have been regularly re-elected by Great Britain and would have made a team of high statesmanship, far higher indeed than the average level of our actual representatives at Geneva Thus the popular system would have combined the merits of continuity and higher average quality in our delegates

The question of the apportionment of voting strength on the Council is a difficult one There are objections both to equal voting power for all nations great or small, and to voting in proportion to mere numbers We could probably not do much better than make representation proportional to total national output This gives mere numbers some weight, but also reflects the amount of output per head, which is a fair index of degree of civilization This criterion might be blended with a rule giving votes to a country with more foreign trade, since such a country is more vitally interested in the matters with which the Grand Council would be mainly concerned And it would be most excellent and just that a country pursuing an autarkic policy should automatically lose voting power on the international body

There remains the question of the franchise A literacy test should be regarded as indispensable This could be carried out without difficulty at the poll Thus certain questions of simple fact concerning the voter's name, address, nationality, choice of candidate, etc , could be worded at some length in sentences containing a roughly equal number of words and letters If there

National Socialism, it will not be easy to find the necessary ingredients. Unhappily Germany, admirable as her achievements have been in the field of administration, has never had a good political tradition. There are no statesmen of the first rank surviving from the Weimar period. In the second part of the occupation period the new government should be nursed. The occupying powers should withdraw to the background, use the utmost tact, and allow complete freedom of discussion and the operation of constitutional government. They would serve as buttresses to the untried constitution.

We hold as a general rule that nations should not concern themselves with the internal affairs of their neighbours nor impose any particular form of government. But with Germany the case is different. The Germans will have no native form of government of their own choosing. At the outset the occupying powers will have of necessity to choose the form for them. There can be no question but that this form must be a democracy.

At the outset of the "second period," therefore—namely, *after* immediate problems have been tackled, painful questions settled, and the civil administration supported for a fair length of time—the occupying powers should arrange for the free election, with secret ballot and security against intimidation, of a constituent assembly. This should be allowed complete freedom of self-determination, save for the one proviso that the constitution must be free.

The new political régime would then begin to function. But the occupation must be continued for a number of years more. Only a substantial period of trial can establish the régime sufficiently firmly for the occupying powers to be sure that a revolution will not occur as soon as their backs are turned. Untried men cannot be left entirely to their own devices. This does not mean that while the occupation is still in being the government should seek the advice or support of the occupying powers openly or secretly. During the testing period the occupying powers must stand completely aside; otherwise it would be no genuine test. After a period of successful constitutional government of, say, ten years, they might then withdraw.

It may be argued that the Germans are clever enough to ape the manners of democracy only to repudiate it as soon as the backs of their conquerors are turned. We have hopes that the virtues of genuine democracy are strong enough to make it take root, especially after such a dire example of the evils which flow from unconstitutional government as the Germans will soon have had. But even on the most cynical view, the cause of peace will

There is danger that once again a weak compromise may result, having the merits of neither policy. This is a grave matter. The future of civilization will still be in jeopardy. We dare not tempt Providence again. If Germany were allowed to begin a third world war, and won it, there can be no doubt that the historians of the future who arose after the new dark ages would lay the responsibility for the eclipse, not on the German aggressors, but on those nations who, bearing the torch of civilization and having the power to keep it alight and knowing well their responsibilities, were none the less so feckless and indifferent to their duties as to neglect the necessary precautions. It is a question of having sufficient resolution to take adequate measures and sufficient interest in our duties to attain to clarity of thought upon them.

As a contribution to the latter, we suggest that the problem of the treatment of Germany should be divided under four heads:

1 There is the question of the punishment of individual criminals and malefactors.

2 There is the question of the occupation of Germany. The detailed problems of occupation are discussed in the chapter on the Armistice (Chapter VII). We hold that the occupation should be a long one. The proper period of occupation falls into two parts.

In the first we shall be occupied with such matters as first aid measures to prevent famine and disease, the maintenance of order, the support of the civil administration, the dismemberment of armament capacity, demobilization, the repatriation of prisoners military and civilian, the re-settlement of Germans inside Germany. Within this period there should also be tackled the problem of the re-employment of Germans and the allied question of the exaction of reparations. After the last war two inconsistent desires were entertained, to make Germany pay heavy reparations and to exclude German goods from markets in which they competed with those of other countries. An attempt was made to satisfy both desires without reconciling them, and in the end Germany, though subjected to a period of confusion and a severe strain upon her social order that did lasting damage, escaped without making any net contribution at all. If it is desired to impose long-term reparations on this occasion, the mode of payment should be determined at the outset. This is discussed in Chapter VII.

After these immediate and painful matters, there will be the problem of establishing a reliable government, to which it will be possible to hand over responsibility. This brings us to the "second period." After ten years of the devastating blight of

these will be of value to the world. Within this discipline, nations will learn mutual respect, based on the genuine powers of each to serve the common good. There should be no undue delay in admitting ex-enemies, since this would give them a grudge against the very institutions to whose success we wish them in the long run to contribute. No position in world affairs can ever be frozen. If we plan our world system without providing niches—and adequate and satisfactory niches—for the ex-enemies, our plans will sooner or later go awry.

If we believe that peace is the proper condition of man, the problems of the International Executive will be of transient and rapidly diminishing interest. It will be a tiresome relic of a bad past. In principle, therefore, the ex-enemies should not feel it a grievance to be excluded from this particular terrain. If they wish to be admitted, that will be a sign that they still hanker after war. They could only be safely admitted if they no longer wished to be, or if the system had worked so well for so long and was so firmly and safely established that the question of admission or non-admission was manifestly of merely academic interest. Thus to those who urge that ultimately the principle of full equality should be extended even to security questions, the answer is that, if security in the full sense becomes an established fact, this problem will solve itself.

But while in principle the ex-enemies should be indifferent to their exclusion from the security arrangements, in practice they will continue for a long time to resent it. It will undoubtedly be a standing grievance, there will be found in this country those who urge that this grievance should be redressed. It is most important therefore that we should keep alive in our minds the contrary arguments.

As a method of appeasement permission to re-arm would be quite useless, the proposal betrays a most superficial psychology. What will rankle far more than the prohibition of arms will be the memory of defeat. Taking a long view, the damage that Hitler will have done to his people by bringing about this second wound to their *amour propre* may exceed all the anguish and misery of the war itself. Memories cannot be effaced, we can never write upon a clean slate. It is because of the coming defeat itself that Germany and those who have aped her ways cannot be treated as equal partners in all respects for many generations. It is easy for the victor to say, "Let bygones be bygones," but it would be fatuous conceit in him to suppose that he can win forgiveness from the vanquished so easily. It is *they* whose resentment goes deep. The right remedy in such a situation is not to

not be lost After the end of the occupation the International Executive and its inspectorate will still be in being to prevent German rearmament The purpose of the occupation is to enable some form of reliable government to come into being, this is a necessity, and it would be only right to use this opportunity to give democracy another chance in Germany Failure would be disappointing, but not disastrous

3 There is the question of disarmament We hold that Germany, Italy and Japan should be totally disarmed, and that the disarmament should be enforced by an inspectorate supported by the forces of an International Executive

4 There is the question of admission of the ex-enemies to the tasks of international collaboration We hold that, subject to the safeguards prescribed in the three foregoing paragraphs, the ex-enemies should be admitted to a status of full equality in the duties and benefits of international collaboration In particular, it seems that once constitutional governments have been established under the provisions of freely elected constituent assemblies, they should be invited to join the Grand Council and to subscribe to the various political and economic codes

Ex-Enemies and the Comity of Nations

This division of the subject would allow the rising tide of generous impulse to be canalized without danger to security Scope may be given for each of the two types of sentiment, that which broods upon the awful lessons of history and wants to make the future secure, and that which cannot wholly abandon the doctrine that all men are equal under Providence Within this scheme, each school of thought may obtain satisfaction without undermining the other, thus we may avoid ineffective and dangerous compromise

To most British people it seems not only inevitable, but also desirable, that in the long future all nations should co-operate together on terms of full equality And if we add that this is Liberal doctrine, we may claim that Liberalism is not merely a party creed, but stands for certain fundamental and inalienable characteristics of the whole British people Now, all the most important, interesting, growing and progressive subjects for international co-operation and joint endeavour fall within the province of the Grand Council And if the ex-enemies wish to play their part in these developments, they will have ample scope as members of it They will have their characteristic contributions to make to the pool of collective wisdom and initiative, and

ship If the leading note in the political disposition of the subject is obedience for its own sake, what will guide those in power? No longer subordinated to the caprices of others, they will be the ready victims of their own Unaccustomed when subjects to vigilant criticism of the law by the standard of right and justice, they will not suddenly acquire this point of view when in control

The German has his own compensation for his habit of excessive subservience In his day-dreams, he is lawless and ruthless He goes to the opposite extreme Too much trammelled himself, he makes his ideal hero completely untrammelled It is not necessary to cite modern authors who may be regarded as ephemeral One only has to turn to the great Goethe himself In the mind of Faust may be found the disorders which have made the German a bad world citizen ever since

For the time being he must be regarded as unfit for supreme power He must not be allowed arms or membership of the International Executive But he is fitted for many of the constructive talks of international collaboration, and to these he should be admitted in a fraternal spirit Meanwhile, if he has the opportunity of self-training at home under the ægis of the political code, including the educational code, in the course of generations his national characteristics may change, and the split between the subservience of his daily practice and the lawless adventure of his day-dreams may cease to exist Then the roll of members of the equal comity of nations may be filled

CHAPTER VII

THE ARMISTICE

The immediate tasks First aid measures Maintenance of law and order Organization of economic life Reparations and contribution to security

The Immediate Tasks

IMMEDIATELY CONFRONTING us at the end of the war, before we settle our long-range plans for the future and the terms of peace, there will be a complex set of problems We may divide these into (i) the tasks of humanity, (ii) the maintenance of law and order and (iii) the organization of the economic life of the Continent

the natural consequence of his mal-
is attention to other matters This is
pedient, and it is just The just and

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natural consequence of unprovoked aggression is unilateral dis-
armament The victim of his own crimes should be restored to
mental health, not by release from this condition, but by having
his mind diverted to the absorbing tasks of applying modern
science, technology, administrative technique, and economics to
raising material standards and the level of education and culture
throughout the wide world

The sentiment in favour of equal status is a strong one and,
indeed, it is part of the creed of Liberalism But to carry theory to
the point of neglecting all particular circumstances and the
facts of history would be to caricature this sentiment We are now
in the presence of certain painful historical facts which must not
be neglected For the time being Germany and her imitators
must not be treated as equal in all respects Opinions may differ
about the importance of innate national characteristics, but
characteristics determined by the recent course of history may be
potent Nor can these characteristics be exorcized by the bene-
volent persuasion of other nations or any charmed formula what-
ever We cannot rely on Germany having an immediate "change
of heart", we cannot expect it, indeed it would be a miracle if it
happened Therefore precautions must be taken, and these un-
happily make full equality impossible

The Germans have their own point of view Those philanthro-
pists who hold that, once they are disillusioned with Hitler, they
will become drenched with the Geneva spirit, do not in fact dis-
play broad-minded tolerance, but a Pharisaic and insulting
ignorance of the subject They are generalizing about a people,
which has, after all, made distinguished as well as deplorable
contributions to world history, without showing it the common
civility of making a preliminary study of its problems

Liberals believe that a healthy society can only be maintained
if individual citizens have some tendency, not only to criticize,
but also in the last resort to disobey their governors Obedience
should be determined, not primarily by the existence of a *de facto*
power, but by conscience, or, where conscience cannot approve
the particular legislation, by knowledge that it has been enacted
by a constitutional process of the main features of which con-
science can approve The Germans have a sinister disposition
towards obedience for its own sake This shows them as lacking
for the time being, probably a consequence of their past mis-
deeds in previous centuries an essential ingredient of healthy citizen-

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“peaceful change” which it would be for the Grand Council subsequently to perfect. Indeed, we want to get away from the idea that it is the task of the Peace Conference to re-draw the map of Europe. One can hardly achieve the wisdom required for finality in the haste and over-charged atmosphere of a post-war conference.

In order to get the political functions discharged by the occupying powers, it would be useful to continue the wartime practice of appointing Cabinet Ministers to be Ministers of State abroad. Thus there might be a Minister of State for Germany, another for the Balkans, etc. The Ministers would be assisted by expert staffs drawn from the civil services of the occupying powers. It is most desirable that supreme political power in every case should be exercised by a politician with experience of responsible government in a democratic country, and not by a soldier or professional administrator.

Organization of Economic Life

The first phase in organizing economic life will be governed by the need to bring first-aid relief. There will be shortages, not only of food and raw materials, but also of labour, transport, industrial equipment and housing. The technique of organization will be that of war economics. The simplest method will be to keep whatever machinery of control each country has evolved and adapt it to the changing situation.

To safeguard the future position it will be essential to check inflationary tendencies. If by the time of the Peace Conference inflation is raging in a number of countries, it will be impossible to frame proper lines for future development. The occupying powers will need to establish or maintain controls, not only in regard to goods in short supply, but also in regard to money wage rates, the banking system and the budget. Control in these three fields will be of vital importance, and expert staffs of high ability should be made available to the political officers of the occupying powers.

The problem of the external balance of the United Nations will be relieved if the Lend-Lease principle is extended, that of ex-enemies merges into the question of reparations (see below).

Any tendency to unemployment will be due to disorganization rather than insufficiency of demand. Re-stocking and re-equipment should absorb the product of industry working at the highest pressure that the provision of raw materials allows. For unemployment due to lack of raw materials there can be no cure.

First-aid Measures

The oppressed peoples of Europe must be saved from the ravages of famine and disease. It is the wish of the British people that the mass of the German and Italian peoples, other than culprits and criminals, should also be accorded first-aid relief. On the physical side, this will require a continuation of methods that have been perfected during the war, shipping priorities, allocation of food and raw materials, and, in the areas of shortage, rationing and control of distribution. The theme is familiar and we do not need to enlarge upon it here. On the financial side, it may be hoped that the principle of Lease-Lend will be extended for a period for the benefit of the United Nations. The finance of supplies to ex-enemies is bound up with the question of reparations and the organization of their economic life (see below).

Maintenance of Law and Order

We assume that the whole of Europe, other than the remaining neutral countries, will be occupied by the armies of the victorious powers. Their immediate tasks will be to disarm all opposing forces, to suppress violence, and to support whatever civil administrations they find in being. The Gestapo must be immediately dissolved, along with all fascist organizations, and in due course the civil services of fascist countries must be purged of fascist elements introduced during the period of totalitarian government.

Political functions will at the outset be vested in the occupying powers. In the case of the Allies, it will probably be easy to hand over these functions to responsible governments almost at once. But in the ex-enemy countries and in those which, whether willingly or unwillingly, have lent themselves to the purposes of the ex-enemies, political functions must remain with the occupying powers for a considerable period.

An awkward dilemma will at once appear. It will be necessary to set responsible governments firmly in the saddle in each country, before the peace treaty is signed. Yet to assign territorial limits to these responsible governments would appear to prejudice the peace settlement. The question of a new Russian frontier should be settled by diplomatic methods before the war is over. For the rest the boundaries that existed before the invasion of Austria by Germany in 1938 should be re-established during the Armistice period. The United Nations would then give consideration to what paring down of Germany and Italy was desirable. Other adjustments should only be allowed by mutual agreement, and would constitute the first exercises in the methods of

If the international machinery is properly devised, the unemployment problem in each country should, we believe, solve itself, save for some margin which is the consequence of inefficiency and folly, and as such would not be overcome by totalitarian methods. If the system can function in that way, it must be made so to function, as soon as the opportunity arises. There should be no interlude in which we experiment with totalitarian methods. We must not set this precedent which the new governments will be only too ready to follow.

There are two corollaries. It is essential that the international plans should be ready at an early date, so that the various institutions can function as soon as required. It would be a great advantage if the Clearing Union (or whatever may replace it after discussion) were ready to open its doors on the day of unconditional surrender by Germany. It is also important that the Loans Committee of the Economic Branch should be ready to begin operations very soon afterwards. We urge the British government to press for an early agreement with the United States and the Dominions and as many other powers as possible on these fundamental issues.

The second point is this. It has been proposed that in the case of certain institutions such as the Clearing Union, the charter should be embodied in the Peace Treaty. The purpose of this is to enable the institutions to regulate their policy within the terms of reference of the charter by majority voting. The charter itself, which could only be amended by the agreement of all concerned, safeguards the individual nations against having their rights and privileges jeopardized by the majority. But the point of time at which it becomes expedient that these institutions should begin to operate may come before there is any peace treaty. The occupying powers may not have proceeded far enough in their task of securing stable political governments in the nations which have to sign. Indeed, the orderly functioning of the institutions for a period may be a pre-condition for establishing that minimum amount of confidence inside countries which is necessary for stable self-government.

The way out of this difficulty appears to be to have provisional charters signed at least by Great Britain, the Dominions and the United States, and by as many other nations as are willing. These would give the institutions sufficient backing for their initial operations. The provisional charters should be subject to amendment, and ratified as amended in the Peace Treaty.

This procedure has another advantage. From the point of view of national sovereignties it is important that the charters should

but the provision of more materials. Transport and other bottlenecks must be dealt with on the lines of wartime practice.

It is impossible to predict how long the period in which demand tends to exceed supply will last. Saturation may come at different dates in different countries. After the last war it came in less than two years from the armistice, save where inflation was very vicious. It may take longer to come this time, but we cannot be sure.

The moment when it does come will be the supreme testing time for the future of democracy, the parting of the ways. In our earlier chapters we have discussed various pieces of machinery for international economic collaboration, by which it is hoped to maintain equilibrium between the demand and potential supply of goods in the world as a whole and between the receipts and payments of each particular country, without interfering with the freedom of the individual in those countries that maintain individualism in some form or with the freedom of nation states to determine their own destinies, subject only to certain limitations required in the general interest. It is essential that this machinery should gear in as soon as the post-war reconstruction boom begins to falter.

Otherwise what will happen? If unemployment begins to loom large in countries for which the occupying powers still have political responsibility, they will feel quite rightly that it is a menace to the political development which they are planning and to the social structure itself. They will feel it incumbent upon them in consequence to "organize" employment. Plans will be made to set people to work on this and that project regardless of the economic criterion and at the arbitrary discretion of the government. This is the direct route to totalitarianism.

What a bitter farce it would be indeed if all this mighty struggle were fought through and all this blood shed only to have the victorious nations imposing upon a powerless Continent that régime of dragooning which we are fighting to exterminate. So long as the post-war situation is essentially war-like in character in that the economic problem is one of shortage and inflation, controls similar to those of wartime will be the appropriate remedy, and readily accepted as such. But when the war economy problems give place to the peace economy problems, to attempt a solution by control and regimentation would be a confession of abject failure. It would be tantamount to saying to the dictators, "We fought you ostensibly because we wished to eradicate your ideas from the face of the earth, now that we have won, we are bound to confess that you were in the right and propose to imitate your methods."

involve sums greatly in excess of those thought feasible by the Dawes and Young Committees on Reparations

It is still premature to assess what sums the ex-enemies should be asked to pay either by way of reparations or as a permanent contribution to security. But certain guides to clear thinking may be set out and certain principles formulated.

Some opponents of reparations overstated their case after the last war by arguing without the necessary qualifications that if Germany was allowed to gain a sufficient number of export markets to finance her reparations, this would actually injure the countries in receipt of reparations by forcing them out of the markets in which they wished to undercut Germany. To others this sounded altogether too clever and sophistical. Surely, they rejoined, there must be some way of making Germany pay, "economists can prove anything", the argument that there was no possible method of exacting something from the Germans to our benefit was too offensive to common sense to be believed.

If reparations had been conceived as a perpetual annuity, there is no doubt that a way could have been found for financing them which did no injury to the Allies. The ex-enemies would be allowed to enter export markets displacing us. They would work hard to produce the exports and we should get the proceeds. We should retire gracefully from certain markets. This might offend particular interests and national pride, but all the same it is clearly better to get money, which is the wherewithal to buy imports, for doing nothing rather than to have to earn it by selling in export markets.

The matter is altogether different if the reparation payments are not regarded as perpetual. In that case the time ultimately comes when we can no longer finance our imports, or a proportion of them, by payments from Germany. Then we have to re-enter the export markets and displace the Germans. But it is rightly supposed that this might not be easy. The Germans, having established their goods in use, would automatically get orders for spares and replacements, they would have established commercial goodwill, thus it might be exceedingly hard within the framework of normal commercial relations to displace them from the markets where they were established. Then we should indeed be in Queer Street. Part of the funds required for the purchase of our imports would dry up with the cessation of reparation payments, and we might find it extremely difficult to undercut into markets where the Germans were established, with sufficient sales to make up the deficiency.

A sharp distinction must accordingly be made between an

be and should be felt to be durable and practical. Otherwise nations may fear that, while nominally committing themselves to a specific defined plan, they may later be led on to make one concession after another in order to salvage a scheme in danger of shipwreck. It would be an excellent thing, therefore, if the institutions could have a trial period at the end of which revisions and amendments could be made. In the ordinary way this would be difficult to arrange, since the nations would feel that if they consented to one field-day for amendments, they might be asked later to have another, and so onward, into the quagmire. But the occasion of the Peace Treaty provides a suitable occasion for amendments which is by its very nature unique. Thus the institutions would function during the Armistice period and, if that were of considerable length, encounter most of the difficulties likely to arise. There would be time for experience to teach its lessons. Furthermore, with this unique stated "field-day" in prospect, various nations might agree to certain provisions for a trial period, of the wisdom of which they were too much in doubt to accept once for all. It may be that only so will it be possible to secure sufficient agreement to bring the system into existence at all.

Reparations and Contribution to Security

Great confusion was caused after the last war by a self-contradictory policy in regard to reparations (see Chapter VI, p. 97). Permanent injury was inflicted upon the social structure of Germany which in no way affected her subsequent capacity to develop a war potential, and which brought no net benefit direct or indirect to the Allies. Although the form that the trouble took was largely due to muddled thinking on the part of the victorious powers, it cannot be denied that serious real difficulties beset any plan for obtaining large amounts of reparation payment. These are briefly explained below.

The problem is seriously complicated on this occasion by a new feature. The United Nations are resolved to provide a police force adequate to keep the peace, which will be a substantial charge upon their taxpayers. Ex-enemies will be under no obligation to provide an armed force and will be prohibited from doing so. It would be deplorable if the final result of the dastardly aggression of our enemies were that our own people were saddled in perpetuity with substantial charges for armaments, while ex-enemy taxpayers got off scot free. But a proportionate contribution by Germany towards the cost of security would probably

ticular, it would be most dangerous to secure that Germany established herself in export markets, from which she then had to be displaced by ordinary competitive methods after the payments ceased. The kind of goods which Germany would be led to sell under ordinary commercial motives in the early period are precisely those likely to give rise to repeat orders. Once established, she could not be driven out save by violent undercutting and heavy loss.

Consequently, it should be laid down that terminable payments should be made in either or both of two forms—namely—

(a) by direct German labour employed on useful work in foreign countries and paid by remittances from Germany in kind, or

(b) by the production at a loss of primary products in temporary short supply in the world.

These are the only two ways in which large terminable payments can be made without creating acute difficulties for the receiving countries when they cease.

(a) It may be possible to employ German labour on a large scale to repair damaged property, restore agricultural production, build houses, etc., in the territories of the United Nations. This may be the most practical method of obtaining substantial payments. But it must not be pressed too far. Some of the United Nations may feel that the presence of large numbers of ex-enemy citizens would be distasteful, as the French felt after the last war. This is a matter for the United Nations to settle by mutual consultation at an early date. It is not likely that Great Britain would welcome a large temporary immigration of Germans.

Furthermore, it is important to notice that this is only an effective means of making payment to the extent that the German workers are paid in kind, i.e. in food, clothes, etc., sent to them from Germany. Not all their pay, however, can be provided in this way. They are bound to consume house-room, fuel, light, transport and recreation in the country of residence. They would receive money from Germany to cover these extra requirements, but to the extent that they do so the problem of transferring reparations is not solved. Germany would have to maintain a surplus export of goods to finance these wage payments. It is important not to exaggerate possibilities. Thus if Germany sent a million workers abroad, the net product of their labour might be worth some £200 million. But if half of their wage had to be paid in money, this would only provide an effective transfer of £100 million, a sum no larger than that provided in the modest Young Plan.

appropriate method of exacting payments that are intended to be permanent, such as a contribution to security, and the method of exacting payments that are intended in due course to terminate. If it is desired to exact payments of the former kind, German foreign trade should be so arranged that there is a permanent excess of exports over imports. But the arrangements must be normal, not exceptional. German exchange rates must be set at a level in relation to her comparative costs and efficiencies such that exporters acting under ordinary commercial motives find it remunerative to export a quantity of goods which exceeds by the required amount the quantity which importers acting under similar motives find it remunerative to buy abroad. Such an adjustment is by no means unattainable. Germany would be in precisely the same condition as a country which had attracted foreign loans in the past and had to cover the interest on them by an excess of exports, or, alternatively, as a country, like Great Britain before 1914, which chose to lend a certain amount of capital each year to foreign countries.

The method for securing this adjustment must conform to the principles laid down by the Economic Branch for securing a smooth flow of trade and balance of payments between nations. What must not be allowed is that Germany, under plea of having to make security payments, should introduce exchange controls, quantitative import regulations, or special export subsidies and other devices forsworn by other nations as unneighbourly. This would be an intolerable situation and sure to break down. The other nations would not endure without retaliation the use by Germany of coveted devices denied to them.

There will, of course, be pleas by Germany (and other ex-enemies) that they cannot establish the export surpluses required save by the use of these devices. Consequently if it is desired to exact such payments, it should be laid down as an indefeasible principle that an export surplus of the peak amount demanded should have been established for a run of years *before the occupying powers withdrew*—and established without the use of obnoxious devices. In fact, it should be demonstrated in practice that the economic problem of financing the payment had been solved. Thereafter the ex-enemies could have no excuse for default, and, if they did default, the International Executive could be required to take action and re-occupy the territories.

Terminable payments, on the other hand, must be regarded in a totally different way. It is asking too much of the normal monetary mechanism to expect it to secure first a substantial surplus of German exports and then an even balance. In par-

export sufficient, not only to pay for her imports, but also to finance her contribution to security. This will entail a far greater flow of German exports to foreign markets than her competitors will view with any pleasure. We propose this because it is consistent with our general economic plans and in the long run conducive to world prosperity, but, having regard to human passion and prejudice, it may prove Utopian.

What must not be allowed is that, in addition to this normal vent for exports, Germany should be encouraged to export a further excess of machinery to finance temporary reparations payments, this would give rise to repeat orders and leave an unbalanced position when the reparation period was over. The danger is that the United Nations, not from soft-heartedness, but from short-sightedness, may press for precisely this solution. Why should not Germany, they will say, provide machinery and machine tools to establish industry in south-eastern Europe? Against such folly, so welcome to the enemy, we must be extremely vigilant.

Reparations may be financed, not only by a temporary addition to exports, but also by a curtailment of imports. No impediment should be allowed to the import into Germany of repeat-order goods in fair competition with German production. But there is much to be said for compelling Germany to produce a greater proportion of her own food, iron ore, etc., than will be normal in the longer period. This was a burden which Germany was quite willing to inflict upon herself in order to prepare for a war of aggression, in order to buy more of the sinews of war from abroad, lay in stocks of food and become more self-sufficient. Is it too much to ask that this self-imposed austerity should be continued a little longer, even intensified, in order to ease shortages elsewhere and finance reparations? Let her put her agrarian ideals into practice and grow more produce for the time being.

It might be objected that this is recommending an autarkic system, so strongly condemned elsewhere. But these are special measures, designed for a finite period, to meet a special, very difficult problem, the exaction of reparations. Naturally they will not benefit Germany, since it cannot benefit Germany to pay reparations. It would be a fine object lesson, this, in the folly of autarky, to impose restrictions on imports on an unwilling nation and then gradually remove them as her obligations were discharged and she was allowed to return to normality. Autarky would then appear in its true character, a burden on the standard of living of the people adopting it.

These are the principles which should govern permanent and

(b) It is also proposed that Germany should meet exceptional demands for goods in short supply after the Armistice, always provided that they were of a kind not likely to give rise to repeat orders. Thus demands for bricks and cement for physical reconstruction surplus to the normal capacity of other countries could be met from Germany. This would have the great advantage of making it unnecessary for the other countries to build up large excess brick- and cement-producing capacity, thus creating an awkward structural unemployment problem when the building boom was over. Of course, it would mean creating such a problem for Germany or alternatively allowing her to remain short of housing, but it is altogether illusory to suppose it possible to have reparations without tears. Again, the timber resources of Germany might be drawn upon so long as there were shipping difficulties in transporting timber from the normal sources of supply.

The United Nations might be asked to supply lists of wanted commodities. It is to be supposed that so long as there is shortage in the world and a consequent danger of inflation, material controls will be maintained, involving price ceilings and allocations. Under this system it will be impossible to meet demands in full, and the reparations committee would be provided with a list of deficiencies and endeavour to meet them from ex-enemy territory.

The committee would only be concerned with supplies that would not be forthcoming from Germany under the ordinary commercial motive. German foreign exchange rates should be fixed at levels sufficient to give a normal commercial motive for a volume of exports required to meet normal payments. The reparation payments are by definition additional. Consequently, the reparations committee would only take cognizance of goods the cost of production of which in Germany exceeded the price offered. "Reparation goods" would be those which could only be supplied by the government subsidizing their production.

Goods such as machinery and electrical equipment would normally be excluded from the list by the reparations committee, because these give rise to repeat orders. Since these are articles in which Germany has special advantages and takes special pride of workmanship, this exclusion will no doubt be attributed by the Germans to malice and be made the subject of grievous complaint. It is important to notice that this complaint will be utterly unjustifiable and that the whole scheme here proposed is one of extreme generosity.

It is proposed that Germany shall be allowed to trade freely in those goods in which she has a productive advantage and to

science will soon exhaust her capital. For fundamental progress we depend on perhaps a surprisingly small number of scientists of genius. A war-distracted environment will not permit their great ideas to come to birth. But what we already have makes war sufficiently forbidding. Is our posterity to live for ever in fear of bombs? Are the doleful predictions of Mr. H. G. Wells to be fulfilled, or of Mr. E. M. Forster, who long ago suggested that it might one day become a capital crime for a young man to mount up from his deep, subterranean habitation and look upon the light of the sun?

The Concern of every Citizen

The situation is urgent and critical, but we must preserve our sangfroid and shrewd judgment. The world crisis may be likened to the kind of crisis of which almost every British voter has had some experience in his family affairs or his business affairs. Shipwreck is threatened and he must strain every nerve to avert it. His future happiness is at stake. Within all is turmoil and excitement, but he maintains his self-possession and calm exterior. Now is the moment when he must summon all his best judgment, now is the moment when he must know how to mix severity and generosity in the right proportions, now he must be objective and suppress his prejudices, now he must rise to the height of his powers.

This analogy is relevant because the post-war period will not only be a testing time for our statesmen and leaders, but also for each individual Briton. Public opinion is of the greatest importance, since the decisions of statesmen are often swayed by what they believe that public opinion will tolerate or require. It is essential, therefore, that British public opinion should itself be at its best, so that the faith which Liberals have always placed in democracy is vindicated. It must be a genuine public opinion created by the interchange of views between ordinary British citizens in their homes, offices, workshops, clubs, canteens. It must strive to make itself immune to the influence of first thoughts disseminated by the Press or ill-considered speeches on the wireless. This public opinion should be built up by each individual British citizen giving of his best in his conversation and pondering over his neighbour's argument. Opinions so formed may spread quickly and exert influence in the highest quarters.

Germany and the Security Question

In this brief outline of a programme we have had to deal with certain technical constitutional and economic matters on which

terminable levies If, but only if, they are observed, will it be safe to demand substantial payments It is unlikely that the methods for obtaining terminable payments can yield very large sums It may be unwise to propose the exaction of large sums in perpetuity It would be fatal to adopt methods appropriate to a perpetual levy, if in fact the levy were destined to be terminated.

CHAPTER VIII .

PUBLIC OPINION

Our predicament The concern of every citizen Germany and the security question Other nations Economic collaboration

Our Predicament

EVERYONE MUST FEEL that we have reached a turning-point in the history of mankind If its collective good sense does not get a grip upon the course of events, the prospect is grim for our children and their children and many generations It is not only the increasing horrors of war itself, but the increasing pre-occupation of the fear of war that threatens our civilization The shadow cast before it by 1914 hardly affected the normal course of progress, the shadow of 1939 was sensibly blacker and threw a blight upon many hopes and plans And what will happen next time if it becomes known that the international situation is out of hand and that men of evil intent have acquired power enough to plan new convulsions? With an ever-shortening interlude between the sufferings of one war and the fear of another, no time will be left for the arts and graces of life, for the refining of human relations, for progress In the haste of preparation and counter-preparation, our traditions will be lost Progress and tradition are inextricably interlocked, without progress, traditions atrophy, and it is only tradition, our ability to stand upon the shoulders of our precursors and supplement our own devices from what they have handed down to us, that distinguishes man from the unprogressive animal Homer and Shakespeare and even the Gospels may fade from memory Some may think that science will survive by its usefulness to war-makers and, because it requires integrity and conscience, keep some part of civilization alive This is an illusion War causes fundamental scientific work to cease and intensive preparations for war must have the same effect, but without advances in fundamental science applied

tions with greater vigour Liberals have always stood for the ultimate sovereignty of public opinion, and thereby have an especially important part to play in these critical years. Conservatives have their authoritarian point of view, while the Labour Party, attaching more weight to certain abstract doctrines than to the application of wisdom and policy to day-to-day events, lulls its followers by visions of its ever-receding Utopias into uncritical acquiescence in current follies and betrayals.

Other Nations

While the problem of the right treatment of the German people overshadows all others, our dealings with friendly nations are also very important, and delicate questions are bound to arise to tax our patience. The steady common sense and phlegm of the average Briton will see these in their true proportion, again, it is vital that this average man should insist on imposing his view on his political leaders.

There are, for instance, our friends and comrades in arms, the Americans. It is not possible that they will refrain from doing many things that vex us. A future President is only too likely to make some utterance most displeasing to British ears, fit subject for a provocative headline, material apt to kindle an anti-American sentiment. Unhappily, we cannot always rely on our Press—or wireless, for that matter—to recall us to statesmanlike judgment. Too many of our papers in peacetime are likely to sway feeling the other way because that for the moment makes more interesting reading. And politicians, in their turn, are influenced by foolish gusts of prejudice.

It is necessary to remember that the United States has a population some three times our own, with an income per head very much higher than ours. This gives her a pre-eminent strength which cannot be laughed away and must be remembered in dealing with her, especially if she is expected to make commitments involving possible sacrifices of life or money for the common good. It is a very foolish kind of national pride that would be galled by that fact. Again there is analogy with the experience of private affairs. Few Englishmen find it impossible to work in friendly co-operation with a man whose lot in life is more affluent and fortunate than their own. There will be an interchange of ideas on the basis of full equality, but some regard to the wishes, even to the seemingly foolish wishes, of the more affluent partner is inevitable, if his fortune is to be put at risk by a project. There need be no fear that the Americans will take unfair advantage of their favourable position.

not every citizen can form an independent judgment. But behind the technicalities there are certain great issues which are in the last resort simple issues and extraordinarily like the issues which a man has to settle in the conduct of his private affairs. First and foremost, of course, is the proper treatment of Germany—an essentially human problem. We have sketched out a programme which, while not abating one jot from the stern measures required to keep the world safe from renewed aggression, and justified by the unreliable and dangerous features which have for some time been characteristic of the German temperament, at the same time gives scope to all those feelings which spring from the idea that the Germans, after all, are brother men. We believe this to be the British view, we believe that this view should be loudly voiced so as to fortify our statesmen in influencing world policy accordingly.

Linked to the specific question of the treatment of Germany is the more general question of whether the security arrangements made after the war will be in fact of a kind likely to stand any strain imposed on them. Public opinion is capable of weighing them up with great shrewdness. Many Conservatives have made a habit of bewailing the folly of public opinion in putting its trust in the League of Nations, and still claim that this public opinion was the chief cause of our weakness in 1939. In fact, the ordinary British citizen had two very distinct opinions about the League of Nations, both of which were right and showed far better judgment than the policy of the Government during this period. One, displayed in the Peace Ballot, was that only by using the League to the utmost of its capacity and backing it by force could war be averted. The other, equally widespread, was that the League as run would prove altogether unequal to its task. The Government, on the other hand, did not press for that radical overhaul of the League required to make it really potent, but at the same time let the cumulative effect of weak-minded lip service and pious professions of loyalty to League principles stand in the way of any alternative policy for keeping the peace. And so it had to wade through all the muddle and shame of Abyssinia, Spanish non-intervention, and Munich, while public opinion continued to stand by its two perfectly correct propositions. The trouble was that this opinion failed completely to influence the policy of the Government.

In the coming time it is essential that public opinion should have a more active influence—both in making it impossible for a government capable of such fearful blunders to continue in office, and in fortifying a right-minded government to pursue its inten-

informed, but this knowledge is not highly relevant in the present situation, since if ever British opinion became converted to the ideals we may be sure that our detailed methods of application would be totally different owing to our different circumstances. This communist propaganda serves to obscure rather than reveal what we most need to know—namely, the specific characteristics of the Russian people, how they think and feel, what are their hopes, fears and suspicions. It is on these points that it is highly important that the British public should become well-informed. Language is an awkward barrier. As a practical suggestion, we propose that in all official examinations Russian should be included in the syllabus on a full parity with any other modern language for the winning of passes, credits, distinctions, etc. After the war we should open our doors, if the Russians are willing to give reciprocal advantages, to the interchange of students, members of professions and last, but not least, industrial workers themselves, for sufficient periods for each side to get to understand the customs, mode of life and main habits of mind of the other.

While we suffer from our professional Russophiles talking only about communism and not at all about Russia, we must not fall into the opposite mistake of pretending that the Russians are not really communist at all, that the communist jargon is only a façade concealing, as some would say, an old-fashioned autocracy, or, as others would say, a more progressive variant of our own way of life. Such a superficial attitude is not only rude to the Russians, but may lead to serious mistakes in our policy towards them.

Of one thing we may be sure: it is the will of the British people that we should continue after the war to co-operate with Russia to the utmost extent of Russian willingness to co-operate—nay, that we should go further by making unilateral concessions if necessary so as to break through initial unwillingness on their part. After all, they have some good reasons for being a little shy. There are dangers ahead. A British government which had not its full heart in co-operation with Russia might find plenty of pretexts for claiming that the Russians were “quite impossible” to deal with. Where there is a will, the impossible can become possible. The British will be most vigilant against any such backslidings, and Liberals will be in the vanguard of vigilance.

The French people too should play an important part in world affairs. There may be many recriminations, French bitterness of spirit caused by their humiliations and sufferings may be turned as much against the British as against the Germans. We must

Unhappily, only a tiny minority of English people are so lucky as to spend long enough in the United States to assess at first hand their mighty achievements in the material sphere or the unsurpassed kindness, open-mindedness and uprightness of the average American. The same is true on the reverse side. Many of our cherished ways may appear quaint and anomalous to the American at a distance. And if our co-operation seems to him imperfect, as it is bound to seem from time to time in the awkward twists and turns of the ever-changing situation, he may attribute this to our special traditions and institutions and wish them swept away. But we who in our narrow realm draw inspiration from old historic things must cling to them. God forbid that we should allow ourselves to be "Americanized" as a propitiatory offering. All these discords will prove unimportant if we both have the root of the matter in us.

And that is that the fundamentals of the civilization which we wish to see preserved and developed to something much higher are the same for both of us, the great pillars of toleration, freedom, peace. Fair words these, to which many people pay tribute. But few peoples have had the good fortune to experience them for many generations, have a deep inner conviction in regard to their priceless worth, are quick to perceive or take measures against forces which threaten them. Thus between us we have a very great task, to quicken the whole mass of peoples into sharing our convictions and to take a great part in providing the necessary security. Beside this any bickerings that may arise will be seen to be trivial.

Again, there are the Russians. It would be idle to pretend that we know or understand much about them. In this we are not well served by our own communists. That the Communist Revolution enabled the great Russian people to find their soul is a historic fact of high interest. In connection with this event, there is something far more needful for us to know about than the doctrines of communism, something more significant, perhaps, in the unfolding of history—namely, the soul of Russia. We may be sure that the Russian people themselves would not dissent from this proposition.

Of the ideals of communism we do not need to learn from contemporary communists. Did not a large part of them originate in the minds of British writers a hundred years ago? And the other parts, the Continental accretions, were made well known to the British public in the late Victorian period. Of the methods by which these ideals have been applied in detailed practice and how modified under the stress of experience we are not fully

aware of the difference between this and pious platitudes or shoddy half-truths. Let them not again become bemused. It is too much to hope that one generation can provide two Mr. Churchills. But there are men in public life, of absolute honesty of purpose, with no desire to cut a dash or score a sensational point or hide up an ugly situation for the sake of a little peace of mind. These can be relied on to reflect public opinion, if only that is active and articulate. And so we return to public opinion as responsible in the last resort for securing that the aims set out in these pages are steadfastly pursued.

Economic Collaboration

Some of our economic proposals may seem too complex to be within the scope of the average voter, but here again there are certain simple underlying principles. It is a matter of common agreement that concerted measures should be taken to secure a buoyant demand and full employment in the world, that the monetary and trading relations between nations should proceed on regular lines and so as to secure a balance, and that the more advanced nations should make a joint effort to raise the education, the productive efficiency and thereby the standard of living of those less fortunate. But our recommendations have not stopped at these generalities, we have suggested certain procedures. Now although the details of these may well be varied, there are certain characteristics of these procedures which Liberals believe to be important for the welfare of the world. We draw attention to four points on which the public should be vigilant.

(1) Our international collaboration must not be confined to paper resolutions, to exhortations which particular nations may or may not put into effect. Something must be done, and it must be done on a sufficient scale to gear into the economies of nations and have a world wide effect. For instance, if the Clearing Union (or a substitute) comes into being, buys and sells securities on a huge scale, authorizes exchange movements and takes appropriate steps whenever the foreign payments of a nation are getting out of balance, the public will feel that this particular part of the economic problem is being adequately handled. It would not be content if the Clearing Union settled down into a sideshow like the Bank for International Settlements. It will expect equally workmanlike and comprehensive schemes to be drafted to deal with price oscillations and foreign lending. It will be a good judge of the scale, adequacy and vigour of the machinery set up, it knew perfectly well that the £5,000,000 voted for

know how to overcome this by patience and fair-mindedness. There are certain facts which the British people should always remember. In the mind of the French people, the Versailles settlement, with its weak League of Nations, rested essentially on the joint British and American guarantee of French integrity. When the American Senate was unwilling to ratify this, the British, perhaps not unreasonably, withdrew also. Even so, despite this setback, the French thought that they saw their way through, by what might be called a "strong" policy. For fifteen years we were at loggerheads over this policy. Whether it was wholly wise, whether some better policy for keeping the peace could have been found we need not discuss, at least it can be said that the British put no other effective policy in its place. Thus for fifteen years the French were undermined, they were told not to do those things, if they would keep British friendship and support, which seemed to them indispensable. For us the English Channel made up to some extent for our lack of policy, the French had not this resource. Was it reasonable to deprive them of their policy, their plan, their way of regarding foreign affairs, to put nothing constructive in its place, and then expect their morale to be unimpaired? Was it reasonable to undermine their morale and self-respect over a term of years and then expect that they would suddenly turn and fight like tigers against overwhelming odds? Despair had already entered, before the test came. And if they had let their material equipment fall behind, can we cast a stone? We have muddled through and may choose to take pride in the old policy having worked again. But it is not fair to expect other nations to be able to adopt our peculiar mental habits. Now that international collaboration in security matters is the order of the day, and indispensable, we shall have to try to introduce a little more logic into our mental processes, so that the collaborating nations will know what is expected of them and be able to make the necessary preparations.

These questions affecting our relations with our neighbours depend ultimately on certain simple human issues, on which the ordinary man is on the whole as good a judge as most political leaders, the large objectives should be decided by the people, diplomacy is the servant which should find the means, deal with minor points of delicacy that arise and with technicalities. From speeches, the public gets a fairly good idea of the grip and soundness of our leaders on these issues. When Mr. Winston Churchill touches upon the affairs of another country, all listeners feel that his words well up from a deep consideration of the realities of their situation, and are heartened accordingly. They are quite

violent oscillations in world agricultural prices. If some international stabilization is contemplated, not only does this type of purely national plan become unnecessary to achieve the purpose intended, but insistence on it may sabotage attempts to get agreement for the worldwide scheme. Yet a world scheme will not only be better for the world, but, if effective, give our farmers greater security than any local plan, however ingenious, which would always be at the mercy of a local economic blizzard or a rebellion of other parts of the community who suffered from it. Not only in the case of agricultural products but throughout the range of imports, the preference for quantitative regulation over the tariff is only valid if there is chaos in the world markets, with international collaboration the tariff becomes preferable and insistence on quantitative regulation a form of sabotage -

The most dastardly proposal of all is that for exploiting our power as a good market for certain foreign goods to make a bilateral deal to secure discrimination in favour of our own. Of all such plans we should ask a simple question. Are we prepared to recommend them for general adoption by all nations in our own interests as well as theirs? If not, they stand condemned as inconsistent with the idea of solving these problems by concerted international action based on agreed principles.

To take another point it is inconsistent with the idea of a world solution for our problems to give employment at home by measures which merely put an equivalent number of foreigners out of work. We clearly cannot recommend such a plan for universal adoption. In private ethics, this kind of action, which, if adopted by all, would lead to chaos, is regularly regarded as immoral, and from now onwards it should so be regarded in the international sphere. There is, of course, one case in which it is legitimate to gain employment at the expense of the foreigner, and that is when we can undercut him by more efficient production. That is necessary for progress, and the world as a whole gains because more goods are produced. In this case, if the world economy is functioning properly, the displaced foreign labour will be reabsorbed in a more suitable occupation. Similarly, we must not complain on the occasions when we are undercut by a more efficient foreigner. In fine, our policy must always be neighbourly and our measures such that we should gladly see them adopted by others as well as ourselves. Although we do not expect the immediate abandonment of all tariffs—so sudden a change might cause excessive dislocation—tariffs and trade barriers of all kinds stand condemned. They bear the hall mark of immorality, violating the basic doctrine: do as you would be done by.

British colonial development before the war was not a serious contribution to the subject, it will be quick to see if the machinery is no more competent to solve the economic problem than the League of Nations was to solve the political problem

(ii) Not only do we need that the international programme should be full-blooded, we must also see to it that internal economic measures do not contradict the idea of dealing with these problems on an international scale. In the foregoing chapters we have proposed plans by which the problem of full employment, the trade cycle and the balance of trade are tackled by concerted action on agreed principles. We must see to it that Great Britain does not from some short-sighted, selfish interest throw a spanner into the works. This is an easily intelligible issue on which the utmost vigilance is required. There will be plenty of selfish interests to make counter-proposals. There will be short-sighted politicians not intelligent enough to see why grabbing some immediate advantage may jeopardize our long-run collaboration with others. Most dangerous of all may be the well-intentioned and progressive schemes of quite intelligent people which happened to be thought out some time ago. Before 1939 international collaboration was at a low ebb, and many of our best minds decided that it was needful to fend for ourselves and find a way to stability and full employment in the face of anything that might be happening elsewhere. This was a perfectly intelligent and indeed praiseworthy attitude. When adequate concerted action was clearly impracticable, there was much to be gained, even from an international point of view, from the example of one nation vigorously setting its own house in order. President Roosevelt is not to be blamed for feeling that his own bold experiments in 1933 would do more good for the world in the long run by example than if he froze his plans in order to please a half-hearted world economic conference at which the British spokesman was explaining that Great Britain did not regard public works as capable of contributing to the unemployment problem. But now the position is entirely changed, there is real hope for effective international collaboration, schemes drawn without regard to or in defiance of world conditions should be set aside. Many people, even intelligent people, find it difficult to reverse the whole tendency of their thinking to meet a reversed situation. Plans for insulating Great Britain for the sake of stability came to be regarded as go-ahead, it is necessary to grasp that the very feature that made them go-ahead then makes them reactionary now.

Thus some of our agricultural plans were devised against

monopolies to regulate their industries, we do not recommend giving *carte blanche* to an official international agency either. There is not so much danger of that in practice, since strong national governments are not likely to consent to the necessary amount of interference by an official international body in their domestic affairs. But it is important to stress that this is not the goal we should aim at. There is much illusion in the notion that evils can be cured by handing over an industry to a body for central regulation or co-ordination. We have attempted in these pages to set out a programme for international economic planning in the true and proper sense of that expression. But "planning" is a word that has been grossly abused lately. It does not make sense to urge that an industry should be "planned," if no reference is made to the objectives and criteria of that planning. Before we consent to allow an industry to be officially planned, we should insist on having set out, in terms intelligible to the legislature, precise principles which would govern it in regard to output, prices, efficiency, recruitment, scope for initiative, obsolescence, etc. Something far more definite is needed than such pious phrases as "serving the public" or "prices 'fair' to all parties." Then, the legislature must know the methods by which these principles will be applied, the criteria for judging whether they have in fact been applied with success, and the sanctions in case of failure. When all these things are known, they can be embodied in draft instructions, and it can then be seen whether they would constitute a framework within which free enterprise could still function sufficiently well, or whether in the special circumstances it would be simpler to hand over the industry for public operation or "co-ordination." In the latter case the official agency would still be bound by the terms of the instructions.

Otherwise, the individual will be directed to do this, not to do this, to go here, to go there, to change his methods, and, when challenging the authority, will be told that all this is necessary to "plan," to "regulate," to "co-ordinate" the industry. Then we shall indeed have a veritable bureaucratic stranglehold and a rapid approach to the servility of our civilization.

Voluntary bodies may be allowed to make all sorts of strange and subtle plans within the framework of law, those which do not serve a wanted purpose are not likely to survive. Only when the scale and power of these bodies become great and quasi-monopolistic, will there normally be a case for scrutinizing their policy for its bearing upon the public interest. Operation by official bodies is an entirely different matter. No official body should ever be

(m) If a particular industry is in trouble, we must not give power to an international combine, trust, cartel or association of producers, even with consumer interests duly represented, to settle their difficulties in their own way, e.g. by giving them official support in regulating output, dividing markets, fixing prices, etc. This expedient at times appears attractive because it relieves the public mind of a worry, at least for the time being. But these powers are far too formidable to be delegated to a body which is not answerable to the public for what it does. There is no reason to suppose that the measures best suited for rescuing the industry from its difficulties will be in the public interest—rather the contrary. This might well be true even if the consumers as well as the producers were assured, and, moreover, it must be admitted no way is yet known of giving the consumers a really effective voice. “A price fair to the producers and consumers”—fair words these, which beg every question, and will be found on scrutiny to have no definite meaning. Public policy requires a far more exact criterion.

It may be objected that many products are already controlled by such combines, and that it would be as well to give official recognition to this. The existence of these international combines is no doubt a serious problem. In due course, we hold, the Economic Branch will have to review the policies they pursue in the light of general economic principles and take powers, with the assent of national governments, to direct them to pursue different policies. It is important, however, that the Economic Branch should not act with precipitation in this matter. It is necessary first to have full knowledge of the ways in which such combines work. These are complex and often secret and without written agreement. It would be fatal to introduce principles that could not be enforced or sanctions that could be eluded. Furthermore, the introduction of a better international order and a more expansionist tendency in the world economy may of itself alter the aims and methods of monopolies and cartels. While they may continue to be guided by self-interest, the policy that best suits their self-interest may be somewhat different in the new setting. As a preliminary, the Economic Branch should at once set up an international commission to examine the facts. This might have some salutary effect even before workmanlike measures of regulation could be evolved, since monopolies would take the hint that meanwhile they had better be shaping their policies to the general interest according to their own lights, which, although insufficient, are perhaps better than nothing.

(iv) If we do not recommend giving *carte blanche* to private

even balance between nations, by the application of certain simple, agreed general principles. This is their great opportunity, they must bend themselves to the task of persuasion; else we shall have renewed economic crisis, giving rise to social convulsions that may threaten peace itself.

allowed to "plan" an industry at its own discretion. For it is beyond the reach of the law of survival of the fittest. Whatever an official body is authorized to do should be subject to a clear rule endorsed by the legislature. If this is true of the national authority, how much more so of an international authority.

It is sometimes supposed that Liberals are characterized by their occupation of a middle position, by their wanting more social security than the Conservatives but less than the Socialists, higher taxes than the Conservatives but lower than the Socialists, more nationalization than the Conservatives, but less than the Socialists, and so on. This is a profoundly false view. Liberal values are absolute and they would go to any extreme to achieve them. Freedom, security, scope for initiative and enterprise, utilization of productive resources so as to satisfy the greatest possible range of wants, subject to a due balance between work and leisure, these are things of which we cannot have too much. If any rule can be found which, if enforced, would clearly serve these purposes, Liberals will support its translation into law. But if it is a question of handing over the regulation of an industry to an official body at its discretion, they oppose this, not because it is "socialistic," but because it is lazy-minded. It displays a child-like confidence that good may come without the labour of thought, but it has its sinister side because in the long run it means binding us all in the chains of servitude.

In the international sphere there is not much danger of a bureaucratic stranglehold. International plans will have to have regard to national rights. Our friends, the Americans, will stand foursquare in defence of individual liberties. That is an ugly fact for our congenital meddlers, who would like a universal regimentation. Is it possible, however, that even the Americans may not be sufficiently alive to the danger of giving too much power to producers' associations?

But by far the greatest danger is that altogether too little will be done, that our resolution will falter, and that the active period of reconstruction and short supply may lull us into complacent forgetfulness of world depressions and unemployment. Here Liberals have a unique part to play. It is they who have for years devoted their minds to devising economic remedies that may be applied within a framework of liberty. Since these are the only remedies that will be internationally acceptable, a Liberal policy is the only recipe for securing a new international economic order.

Liberals must press their view that the economic system can be keyed up, and made to work smoothly at full employment with an

